HOW TO RUN A STORE AT A PROFIT

METHODS BY WHICH SIXTY-TWO RETAILERS SOLD MORE GOODS AT LESS EXPENSE

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HOW TO RUN A STORE AT A PROFIT

FIGURING EXPENSES AND MARK-UP—COUNTER AND WINDOW DISPLAYS—HOW A RETAILER INCREASED BUSINESS 400% IN FOURTEEN MONTHS—SHORT CUTS IN HANDLING TRADE—LARGER NET PROFITS—TRAINING YOUR MEN TO SELL

METHODS BY WHICH 62 RETAILERS SOLD MORE GOODS AT LESS EXPENSE

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Part I

FIGURING YOUR EXPENSES AND PROFITS

Face the Facts

FIFTEEN years it takes to make a business man", says the manager of a great store; "five to know what goods and clerk hire total· five to know *the cost to keep store;* five *to recognize profit* and *stand up for it.*"

But you can bridge these years—you can stop guessing at success. While your competitors are still estimating their cost to sell, you can make your itemized expense sheet show your gain on every line you handle.

When you "guess in" the difference between buying and sale price, you "guess in" your profit. When you gamble on *Expense,* you are gambling with your business life.

Paper profits are no insurance for the merchant who keeps his expenses in the dark or fears to face them.

Turn the light on your business! Face the facts!

Itemize *Expense,* and make your price to cover.

Think nothing of the large *gross profit,* for out of it must come all your running expenses. Know your cost to run and measure your success only by *net profit.*

EXPENSE ITEMS YOUR MARK-UP SHOULD COVER

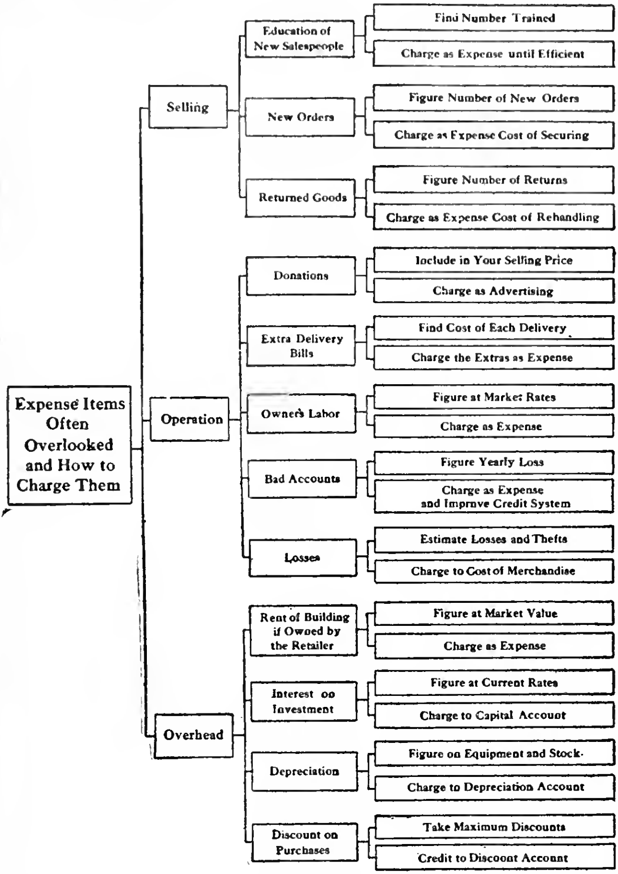
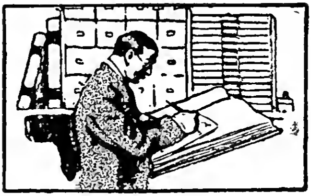


CHART I: Overlook an expense item shown here and your net profit is cut that much—you pay the difference. You must make your selling price to cover all your running expenses before you can get sound profits and figure a safe mark-up



CHAPTER I

Fixing Prices to Cover Expenses

APPLICATION and aptitude made a young man so successful as a hardware clerk that he started a shop of his own. He arranged that the field manager for the man from whom he bought his goods should price them for him. Delayed a couple of days, the field manager arrived and found the new store open, buyers plentiful and the youthful owner in a cheerful mood.

"Got ahead of you this time," the young dealer explained. "Won't have to bother you. My goods are marked—every last item—and selling like cakes."

"How did you figure your selling prices?"

The answer was characteristic of a great percentage of the men who guess at the running costs. "A friend of mine went around and priced everything in the other stores. Then I took the lowest prices on each article—and marked my goods. I ought to get plenty of trade."

There you have it—the "poor-house" price that cleans out more business than any other form of mismanagement.

To fix selling prices, divide last year's expense by sales. Add this per cent to your net profit and get when selling, this sum and the original goods cost.

The same lottery is going on in nine out of ten retail businesses every day—business after business is operating blindly; sapping not the public pocketbook but its own cash drawer; and cutting net profits because it guesses at expense.

Some men don't know all the items of expense; others fail to record them; still others guess at some of them. Wherever an item is overlooked or lost and not charged in with the prices asked, the merchant is paying for it out of his own pocket. Cost to run is as legitimate an expense as the lumber in a chair; the starch in a collar; the wage of the clerk who fits your shoe.

There is small chance of basic cost getting away; material and labor costs are apparent and recognized; the selling price is based on prime cost. But the cost to run a business—its cost of living, disregarding material and direct labor which are re-sold to make income —is vague. Here is an open invitation to lose items.

Even the names applied to these items show its undefined character. Some business men call it "burden"; others designate it "general expense"; still others style it "non-productive costs"; and the majority colloquially name it "overhead." The title is vague because business men have not thought the idea out clearly.

Usually unreliable expense percentages can be traced to one or more of five causes:

(1) The accounting system may be at fault—the judgment that determines how such expense items should be charged is unsound.

(2) Often a store manager, facing high expenses,

Figure usual interest on the net amount of your total investment at the beginning of your business year, exclusive of real estate.

decides to drop accounts and increase business—hoping to catch up with expense.

(3) Sometimes, not bothering to figure his own costs, a storekeeper adopts a competitor's expense as his own.

(4) Many men, thinking they know, are really figuring on a false "rule-of-thumb" method.

(5) Some merchants even seem afraid to face their costs; they don't want to know.

The first class is probably the most numerous—the men whose prices are too low because they do not include every item, charge some wrongly, or drop others to make a showing.

A Western banker took a laundry for debt. He put an acquaintance in charge, familiar with the mechanical side. At the end of the first month, his books showed a net profit of three hundred dollars. But a bank and a laundry are strikingly different from the standpoint of expense. The bank needs no heavy depreciation on equipment—the laundry grinds off a layer of assets with every turn of the power-drive.

This laundry ran for six months. Then the wreck of a delivery wagon and the necessity of buying a new machine exhausted the cash in the bank, and the owner began to investigate. The system of accounting had been showing as profit what was actually expense, chargeable as maintenance, depreciation, bad accounts, and so on—all legitimate items of expense which the manager had been paying out of his employer's pocket instead of charging in the prices.

It is common for a merchant to say, "I can get around

Figure all fixed expense, such as interest, taxes, insurance, water, lights or fuel, and prorate it over the business year in properly itemized weekly instalments.

those high operating costs somehow,'' and, in the effort to evade percentages which he knows are high, to sink deeper and deeper into imaginary profits.

''Increased Volume'' Is a Deceptive Rainbow Unless Your Mark-up Is Sound and Profitable

A selling agency manager of an appliance company found his profit for a half year to be $2,200. He needed $2,800 more to get the required $5,000 yearly profit and secure his bonus. Although he knew that selling costs were high, he decided that the best way to secure the profit expected was to crowd his men for a bigger volume, to offer a little more to customers, and push harder for business.

He did not figure the additional expense in getting the extra business, and while he secured the gross sales desired, he found the expense had paralleled the increase. Come-backs from hasty sales, additional delivery bills, and money spent on new salesmen, made the extra sales cost even more than the regular business. The ever-present shadow, expense, made him lose.

This is one of the serious fallacies common to many a business. If your store is not making a profit because of high expense, merely increasing the sales will not act as a remedy. You cannot increase your business without increasing your cost. Your clerical force can do just so much work; if more orders are secured, more men must be hired. If there are more packages to deliver, delivery costs increase in proportion. You may not need more department heads, but as business increases, one man

Figure depreciation on all goods carried over for which you may have to take a reduced price and on anything deteriorating or showing wear and tear.

adds an assistant, another a clerk. Somehow, you have to pay for the extra work.

One man found that a gross business of $180,000 established his net profit at ten per cent, in an industry where competition was strong and largest sales a talking point sought by all. "Now," he thought, "I can get the additional trade needed to put me at the top by adding this ten per cent net to the basic cost on orders from new customers. My present organization can handle the additional business."

He failed to make a distinction between the cost of getting the old business and the new, and his profits dwindled to the point where the original net was wiped out. But a good accounting system saved him; as his cut price campaign progressed, he discovered that his net profit was falling below ten per cent. A little study showed him that expenses had gone up. He quickly cut off the non-paying business, sought a different point of appeal that allowed him to charge the higher prices, and covered the additional cost of getting new business.

"Rule-of Thumb" Methods and Guesses Give Dangerous and Deceptive Mark-ups

Another type of merchant adopts competitors' figures. A young paper box maker started in business and began to figure on lots for large users. Contract after contract went to his competitors. Finally he lost an order placed by a friend of his; he was able to ask why.

"The price was lower," he learned.

Further inquiry showed that the successful concern

Figure as labor, your services or those of any of your family employed in the business, at their worth to others. Charge your expense account with these services.

was paying substantially the same for labor and material.

"It must be, then," the young manufacturer concluded, "that I am figuring my overhead wrong. I know it must be less than these other follows'—I haven't their big organization, high rent or the expensive selling methods they use."

He guessed at what his running expense should be; cut his price to fit his competitors'—and lasted only as long as he could live on his meager capital and credit.

A good worker who owned several patents and knew his trade thoroughly, started a business in a Western city. Material was cheap; wages low. His factory occupied an old building at a nominal rent. Power and heat were furnished by his wastes. He thought his expenses must be below the average, but to make sure, charged the customary trade "overhead," ten per cent.

The plant expanded. But this blanket overhead percentage stood. Products become diversified; more capital was taken in; a considerable line of credit established at a local bank. Then one day the company's balance was wiped out by a judgment in a casualty suit and the manager had to ask an additional loan.

Demanding an accounting, the banker started a good cost man searching for the real figures. It was found that the hypothetical ten per cent was in reality eighteen and one-half per cent—almost double—and had been close to that for many years. This man had been paying half his running expenses out of his own pocket. Fifteen years, he and his business wasted—victims of the

Figure sums given to charities, associations and like causes, and subscriptions or assessments. Charge them to advertising or a special gift account.

ten per cent fetish. Seventy-five per cent of the men who annually go into retail business fail because they figure running expenses on the same basis.

Fixed Overhead Charges Are Dangerous unless Frequently Checked with Expenses

Too often a business man sets a fixed overhead on expense and uses this as the basis on which to gauge his prices—when in reality he has not investigated to see whether it is correct for his business under the conditions to be met.

The tradition of "charging ten per cent to overhead expense" has ruined more businesses than lack of capital. It does more to cloud the understanding of costs and put a business on an insecure basis than any other single factor.

In a growing city, a successful grocery business was built up by a clever man. When he died his widow made the local bank trustee and went away to live. Profits continued for a while, grew smaller and then ceased. Finally the bank notified her of a big deficit. Together, she and the bank investigated.

The store manager insisted that they were making money, but that the addition of new equipment was responsible for the cessation of profits. It was found that he had figured his direct costs—such as purchases, labor, advertising—correctly, and then by adding twelve per cent, had planned to get more business by cutting prices.

This looked safe on the basis of twelve per cent overhead, but an expert accountant showed that he had not

Figure as losses, merchandise sent out and not charged, goods lost, allowances made customers, accounts believed worthless, cashier's errors and unusual collection expenses.

charged depreciation on equipment, office expenses, supplies, interest on the investment and many miscellaneous items which, all together, brought the running expenses up to between twenty-six and twenty-seven, instead of twelve, per cent.

Here was a manager, supposed to be competent, charging prices for goods that took money out of the pockets of his employer with every sale.

Little Items Often Overlooked Amount Frequently to Sums Which Endanger Your Profits

Often the little items of seeming "outside" expense, which are in reality regular running costs, amount to an important sum when figured on a long time basis.

The manager of the boot and shoe department of a "unit" store in a small Eastern city, put his yearly profit at $1,500 in a talk with a salesman friend. "And this is net," he added, "every expense figured in."

A smartly gowned lady interrupted him to ask for a charity subscription. Without hesitancy, he handed out a five-dollar bill.

The salesman, accustomed to exact accounting in his own road expenses, inquired, "to what do you charge donations—to advertising?"

"Oh, I don't have any regular account. I turn lots of 'em down, of course, but in this case it's good business to give. It comes out of my own pocket anyhow."

The answer to the salesman's next question showed that these donations would average as high as $150 a year. He rapidly figured, on the basis of "show me" in

Deduct your complete expense percentage and what the goods cost you, from the price of any article you have sold, and the result shows your net profit on the sale.

his own accounts, that "in ten years you pay out a profit of $1,500"—one full year's profit wiped out by not putting one item in the overhead.

This merchant never stopped to think that *everything* must go into the cost of doing business—somewhere. If it is not included, there is no basis on which to add it to the prices of the goods. These items are not always small.

"My expense isn't ten per cent. I know I am making good money," said an implement dealer who objected strenuously to the average of seventeen to twenty-two per cent suggested by his association as a proper charge for running expense.

The association's secretary checked over the items of expense carefully and found that the dealer, since he owned the store, charged no rent; that he figured no interest on his investment and no depreciation on his stock. The dealer explained that he was "leaving the profits in the business;" and asked, "Why should I charge myself for the use of my own money in stock?" All he will actually have in his business in five years will be a run-down building, out-of-date machinery and some uncollectible accounts.

In another village, a retired farmer with $5,000 invested in a vehicle agency, failed to charge salaries against his labor and that of his two strapping sons.

"All that comes in profit," he explained. "I don't have to pay out any salaries."

These dealers were not working for themselves, but for their customers. They were making less than a fair

Go over carefully the selling price of the various articles you handle and see where you stand as to profits, and correct selling figures if necessary.

profit and could last only until overhead charges ate up their surpluses. It was just as if they were handing their goods to customers at cost.

There is a type of man whose books show a profit, who has been drawing dividends, and who, therefore, says, "Why bother? We are making money. For fifteen years we have made all the way from six to sixteen per cent. We have more assets than ever. What further proof do we need that our expense figures are right?"

This merchant is as much a plunger as any of his fellow retailers in the other classes. He may know his total costs and his total profits, but he doesn't know where he makes his profit or where the expense is going. Some one department or line of goods may be losing money—which another department must make up by abnormal profits. This isn't safe. A change of conditions may affect the profitable line and the business go to pieces with a crash. Lack of definite expense knowledge is a "blinder" to the retailer.

Ask the manufacturer what his pay roll or department expense bills were for the month before; he can tell you in odd pennies. Ask retailers what they pay for this or that article on a shelf; they know to the fraction of a cent. But ask these retailers the total of running expenses, cost of sales expense, difference between costs and selling price, items into which the cost of doing business is divided and their amount; above all, ask them what portion of their gross profit is actually net—and you will wait for an answer. They do not know the essential of progressive retail management—the cost of doing business.

CHAPTER II

What It Should Cost You to Keep Store

AFTER twenty years in business, a retail firm in a Middle Western town found their net profits on the point of vanishing, though gross sales continued to increase. They were the "big store" of the county, handling groceries, hardware, builders' supplies and farm implements.

They sold at wholesale the first two lines to smaller stores in addition to retailing them, but kept one set of books which made no distinction between the wholesale and retail classes of trade. Nor was it thought necessary to separate departments until their dwindling net profits forced an investigation.

Running expenses had been figured at fifteen per cent on sales for years. Yet the investigation and comparison of sales and invoices at once showed the average "mark-up" on wholesale groceries to be only eleven per cent over first cost, and on hardware, only eighteen per cent. Competition in the majority of cases fixed both wholesale and retail prices, and through handling branded and advertised goods, the prices on their lines were nearly all fixed by manufacturers.

HOW EXPENSE IS DISTRIBUTED						
WHERE THE ANNUAL BUSINESS WAS	$11,000		$18,000		$25,000	
Rent	$420	3.9%	$840	4.6%	$1,200	4.8%
Salary to Self	624	9.2%	832	8.4%	900	8.7%
Salary to Help	378		688		1,288	
Advertising	165	1.5%	270	1.5%	352	1.3%
Heat and Light	130	1.2%	175	.9%	200	.8%
Depreciation on Fixtures	160	1.5%	80	.4%	100	.4%
Miscellaneous	75	.7%	220	1.2%	250	1.0%
Total Expenses	1,952		3,105		4,290	
Percentage of Expense		18%		17%		17%
Gross Profit		30%		28%		26%
Net Profit	$1,320	12%	$1,980	11%	$2,250	9%

CHART II: How stores representing four typical classes of retail shops distribute their expenses is here shown. Whether you are keeping store in country or city, your business fits into one of these classes. You can thus compare your expenses with normal

As matters stood, two-thirds of their stock was marked at eleven per cent above invoice cost, plus freight, or actually four per cent less than the cost of the goods when delivered to a customer. While the question of how long they could last was a matter of simple arithmetic, apparently, inventories and bank balances showed that they were actually making money.

Then they discovered, what was overlooked at first, that it cost less to sell at wholesale than retail, and therefore merchandise sold wholesale at eleven per cent above first cost yielded a fair profit which was being eaten up by the growth of retail departments and lines that were hard to move. The non-profitable retail business had grown faster than the wholesale.

Like hundreds of other stores that have been saved when on the verge of failure, a careful analysis of costs and selling conditions and a definite knowledge of "what it costs to do business" had to come. Three things were

IN SUCCESSFUL RETAIL STORES

IN A METROPOLITAN DEPARTMENT STORE

Rent		6.00%
Salaries		5.00%
Advertising		3.10%
Heat Light and Power		3.00%
Alteration and Displays (this includes depreciation)		2.00%
Miscellaneous		9.35%
Delivery and Equipment	6.00%	
Supplies	.25%	
Insurance and Taxes	.10%	
General Expense	.50%	
Shrinkage on Stocks	2.00%	
Loss on Bad Accounts	.50%	
	9.35%	
Total Expenses		28.45%
Gross Expense		28.45%
Gross Profit		33.33 1/3%
Net Profit		4.88 1/3%

figures and detect your storekeeping errors. If the figures differ widely, your net profits are probably being robbed by a deceptive mark-up and you should go over your methods of keeping shop and figuring costs. Check over your expense, frequently and make safe

done at once:

(1) Groceries, hardware supplies and implements were recognized as different commodities—needing varying outlay of effort and expense to sell.

(2) Retail and wholesale departments were separated and new percentages of cost worked out to cover each department, each line.

(3) Classifications were worked out in the various lines which could carry maximum advances to make up for necessary minimums elsewhere.

Rent, light, heat, taxes, insurance, clerk hire, delivery, shrinkage of stock, depreciation of fixtures, office expenses, partners' salaries, and all the other items that make selling expense, were for the first time included to get the revised percentages on the cost of running the business. Profit was added—like any other fixed charge.

It was hard work at the start to figure how particular items affected individual departments and lines, and how

to add this percentage in each case. But once on a definite basis—a report made up each month in the office—the old crude way of guessing seemed like a nightmare. With this information at hand it was not difficult to work out a new sales policy—to push hardest on the lines and departments that were evidently bringing the best profits, to see that "fixed price" articles, carried as an accommodation, ought to take care of themselves.

How to Figure Running Expenses That Clear the Way for a Sound Profit

Every successful retailer has worked out some plan to show his running expenses, so that he can add an expense percentage to invoice cost and freight, and clear the way for his profit. But, as in the case of this firm, a "blanket" percentage—which applies to all purchases, excepting only those that provide bargains, maintain fixed manufacturers' prices, or meet unusual competition—is often used. This is one of the greatest sources of failure, because operating expenses do not follow an accepted line of uniformity.

In the big city stores, where customer service has been developed to a high degree of perfection, the average operating expense often reaches twenty-eight per cent of gross sales. In stores separated from these only by the width of the street or the length of a block, with lower rents and less customer service, less aisle space, a smaller number and cheaper character of clerks, no special delivery, no store policy for "returns," and lacking a dozen other "luxuries," this percentage of cost may drop five or ten per cent.

A department store in a small city, with an annual business of $750,000, spent $112,500 in one year, making its running expenses fifteen per cent. Across the street,

a shoe store with annual gross sales of $20,000 was unable to reduce this percentage below twenty-two and one-half per cent, while in a Canadian town of three thousand, a general store with $30,000 annual sales, secured a running expense of only eight per cent.

It is easy to see that there is a big variation in the selling cost and running expense of different lines, and that a "blanket" percentage on running costs is always dangerous. It is equally easy to understand that the character of the store, the clientele desired, the consequent service and policies maintained, all enter vitally into the cost of running expenses.

It is the small store that suffers by clinging to accounting methods which are not exact for its particular condition. It is the small dealer, more than any other, who must have an accounting system which shows how much more it costs to handle clothing than millinery, or groceries than drugs, and why.

What Retailers in Country and City Have Found Their Rent Cost Them

Rental is one of the first big items in the expense column of any retail store. While this is a problem to some extent, and the specific percentage that should be devoted to it is variable, it is a constant charge and other expenses must be regulated accordingly. It is usually safe to figure, however, that a good situation and high rental are more economical than a cheaper and inferior place, because of the increased volume of sales which the valuable location will bring.

A dry goods firm in a small southern town paid $100 a month for a three-story frame building, 35x100 feet. Their sales averaged $150 a day—which brought their rental down to a low percentage. Their distance from

the shopping center made it necessary to advertise extensively for trade. This unusual expenditure made up for the low rental—excess on the item of advertising should often be made to balance the saving on rental. And because of the necessary balance, a desirable location may often be the better investment.

For the average small city retail store, four per cent is usually considered a safe figure. In a small country store, it has been known to sink with safety as low as two per cent.

The retailer who runs a department store in a small city usually figures his rental close to six or seven per cent. In the case of the department store in a large city, rental often demands between four and five per cent, but the volume of sales against which this is figured is of course large.

Careful investigation has shown that the item of rent is the most uniform factor in expense, whether it be in the operating expenses of the village shop or the city department store.

Why It Is Important to Get a Ratio Between Gross Sales and Your Pay Roll

Perhaps the second important factor in the cost of running a store is the pay roll. Clerk hire fluctuates from season to season, is usually governed by the demand for help, but often misses this mark and results in considerable waste.

There should be a constant relation between sales and salaries. Few merchants realize this. A storekeeper often pays a clerk in the dress-goods department fifteen or eighteen dollars a week—because he makes a big book on Saturdays, though does little business other days—and hesitates at six dollars a week for a bright young

girl in the notion department, who does a fair amount of business every day. To some extent this is logical, for notions carry slight profits. Almost invariably the rule should be to base salaries on the value of individual sales.

Well conducted stores figure that their salesmen will cost no more than five or six per cent, and saleswomen not more than three or four per cent, of their sales. One way to assure this is to hold clerks to this standard. Sometimes in the larger stores, salespeople are put on commission or given bonuses.

How to Plan Your Advertising Outlay within Reasonable Limits and Still Meet Competition

The keener the competition, the more actively a retailer must advertise. Individual needs must be considered here. Local conditions also enter into the problem.

A New England merchant did an annual business of \$40,000 and spent \$300 in advertising. Another appropriated \$1,200 and barely made the same turnover. A third found his advertising cost him \$1,000, while his sales only reached \$11,000. It is apparent that here is a question for study.

A single line or the entire business can profit by a certain amount of publicity. To go beyond that point is clearly wasteful.

Observation and analysis will show the point where advertising ceases to be a good investment. This is a law of diminishing returns—as yet little appreciated.

A dealer in the Northwest, with a healthy business for a small city, had sales of \$13,500 in November and \$14,750 in October—with profits respectively of \$1,368 and \$1,445, or about ten per cent of the sales.

The dealer distributed charges for this advertising among the different departments for each day during October and November; then struck an average on which to base the division of his appropriation:

Cloaks and suits	18%
Notions	18%
Men's clothing	16%
Dress goods, silks, etc.	13%
Shoes	12%
Millinery	7%
Groceries	6%
Other departments	10%
	100%

To test these figures, he took similar averages for normal months in previous years—then planned each month's advertising in advance on a basis of profit and made it a point never to go beyond these tested publicity figures.

Many stores do a satisfactory business without extensive advertising. The appropriation of ten small stores scattered throughout the West, doing an annual business of from twelve to fifty thousand dollars, averages two per cent. Five other retail houses, each doing in the neighborhood of $40,000, keep their appropriation around three per cent. A report, covering a period of fifteen years, showed advertising appropriations for one firm running as low as one and a half per cent, while the high water mark was three and a half per cent. One year this organization did a business of $119,675 on an advertising expenditure of $4,188.

Whether in the country or in the city, the newspaper advertising appropriation for the average store has been found to most profitably run about three per cent.

Insurance and taxes are also governing elements in selling cost. Most business men insure their stock to the limit allowed by the fire line companies. A small New York store pays $13,275 for rent, $9,750 for labor, and $8,912 for insurance. One Western firm that sets aside annually $4,000 for advertising, fixes insurance at $6,000. The common cost ranges between one and two per cent of the sales, while the small-town general store may often safely run as low as six-tenths per cent.

Freight charges and cartage are usually added at once to the invoice cost of merchandise. While it is difficult to establish a fixed percentage on this item because of the varying conditions in different classes of business and at varied locations, an investigation of small general stores in the country showed that they would average between five-tenths and thirty-five hundredths per cent. A similar investigation among city stores, doing a business around $100,000, showed a percentage that ran close to three-tenths per cent.

Heat, light, power and office expenses are often charged under the head of "incidentals," although many of the more progressive merchants are beginning to separate office expenses relative to the office work that is lost sight of when this item is not considered by itself. Heat, light and power have been found to average between seven-tenths per cent and one and one-tenth per cent—the smaller percentage applying to stores with sales running between $15,000 and $20,000 annually and located in the country. The larger figure especially applies to city stores where better lighting is used and power needed for various devices.

If the office expenses include supplies of all kinds, postage, stationery, printing, and the like, as well as bad accounts, and the office force wage, this item should

run close to two per cent, although in a city store with gross sales averaging about $85,000 annually, where careful accounting systems and daily sales and cost records are maintained, this item fluctuated around two and eight-tenths per cent.

Delivery is still another item that depends largely upon the policy of the store. As a rule, the average for a city store will approach five-tenths per cent, while country store delivery will, because of the greatly decreased amount of merchandise handled and the less perfect facilities, often average about two per cent. However, delivery charges range anywhere between five and ten cents per package—this item being susceptible to material reduction through the use of motors, motorcycles and other modern equipment. Salaries and wages of the delivery force are usually included in this amount.

There are a number of other items often overlooked, or merely covered by a blanket "miscellaneous." These usually include depreciation of equipment; interest on the capital invested; the salary of the owner or partners, carried as separate ledger accounts; and provisions to cover theft.

Each of these items is important—as depreciation alone will average between one-half and two per cent, according to whether the store is in the country or in the city, the higher percentage, of course, applying to the first-class city store with modern equipment. The interest on investment for the average well conducted store in the country ran close to eight-tenths per cent, while it ranged up to nearly two per cent for the small city store. By methods of testing and comparison, it has been found that the more successful owners charge their salary at from one and two-tenths to one and one-

half per cent, though under one per cent is considered liberal in department stores with a large annual turn-

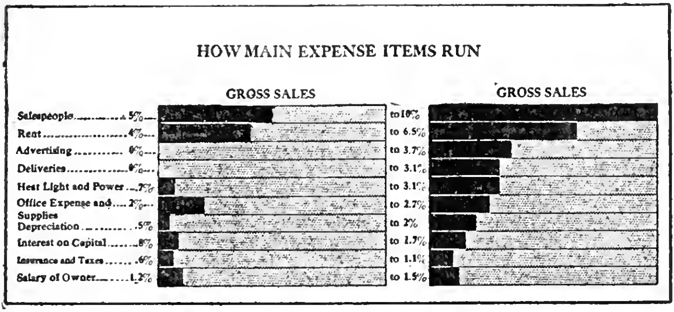


CHART III: These maximum and minimum percentages are the extremes between which the wise retailer holds his cost to do business. The two large squares represent gross sales. Each oblong represents ten per cent of this sales total, and the black portion shows the percentage of gross sales usually taken by the main expense items

over. The item of "miscellaneous expenses," after these various "incidentals" have been segregated, will still run to an important figure.

How to Find a Safe and Healthy Percentage of Expense for Your Business

A general store in a small city, with a business of about $30,000, found its odds and ends of expense averaged about one and six-tenths per cent, while a department store in the same city, with a turnover five times as large, placed its miscellaneous expense average close to five-tenths per cent.

A department store in a small Western town did a business of $143,072. The cost price of the merchandise sold during this period amounted to $106,058, leaving a healthy gross profit of $37,014, or a shade over twenty-six per cent. The operating expenses of the business footed up to $29,627.

The net profit for the year was, therefore, a little over five per cent of the sales, or $7,387. Inasmuch as the proprietor provided himself with a liberal drawing account, the showing does not seem to be unfavorable. While no provision seems to have been made for interest on the investment, advertising and clerk hire could probably be safely cut sufficiently to cover this omission.

A more careful inspection and analysis of the various items on this store's expense sheet would probably have shown some waste. In every kind of retail business the percentage of cost for running the business, which should be taken care of in the selling price, is fairly definite. Any decided variation on either side of this standard, when allowance has been made for the changing factors individual to every business, means that the basis of figuring is wrong, that some link in the expense chain is weak. Wrong figuring and wobbly expense percentages are commercial danger signals.

Protect Your Mark-up

THE only excuse for a price on goods that does not include the cost, sales expense and the proper percentage of running expense, is to dispose of dead stock because it is store-worn or out-of-date, or to use the low price as a leader.

CHAPTER III

Where to Reduce Expenses

OVER a thousand retail sales a day are made in a small shop, only forty feet square—a volume of business that could be handled profitably only by a scientific arrangement for checking up stock to keep it replenished just enough to meet the demands. A small shoe store does the business of the average shop several times its size by simply maintaining the maximum variety of stock on hand in minimum quantities and replenishing supplies promptly as goods leave the store.

Always to have on tap a clean and orderly arranged stock of supplies, whether for the office or the store, though necessary for right stock keeping, is a matter of less importance than having enough and no more.

Disregard of this fact is one of the biggest sources of waste in a retail store. Interest on every penny invested in more than a reasonable supply of any one item—just as paying too high a rental or making too big an advertising appropriation or allowing too high salaries—is a direct drain on net profits.

The right quantity must, of course, take into consideration any ultimate advantage of price fluctuations, "quantity" purchases and the increased cost of handling

small orders, as well as interest and storage on large shipments.

Each of more than a hundred retail shoe stores owned by one company pays maximum net profits chiefly because a stockkeeping system is used that solves the "right quantity" problem. These stores are first stocked as nearly as possible with one month's supply. Then frequent small shipments keep up the stocks.

A very simple system takes care of shipments. A ticket, giving the style, leather, width, length, stock number and price, placed inside each box of shoes, is taken from the box at the time of sale and sent to the cashier. These tickets then go to the manager and act as a guide to the day's order from the factory.

The information given by the ticket is indicated in numbers, figures and trade names. In the example reproduced (Chart IV), "bump" gives the style; "50 Russia," the last and material; "3 Foxed Blue," a description; and "731," the stock number. "9277" is the pair number and enables the salesman to match up rights and lefts.

As a result, customers seldom fail to get their fit in any style, notwithstanding the fact that the quantity of stock is always down to the smallest possible investment —saving not only the interest on money invested in over-stocks, but also the rental on expensive store space.

Many small stores may use a similar system to keep a trustworthy account of sales—an accurate description of the item on the duplicate sales check or on the price ticket, these tickets to be assorted and recorded as a guide to future purchases. The same slips also offer a check for the record of stock on hand, if such a record is kept, thus forming the basis of a permanent stock-keeping system that cuts down excessive cost on the items

of stock and rental. They should show the lines from which the sales are made.

How a Progressive Haberdasher Keeps Store with Only One Day's Supply

A well known shirt company has found it possible to operate in the best city locations without running the item of rental to an excessive figure, by a similar plan.

Only one day's quantity of each item is placed on sale at a time. When the last of each item is reached, the clerk fills out a special order blank for another day's supply, which is brought in from a surplus stock stored at an inexpensive stockroom in another building. The same system is followed in the surplus stockroom, where the supply of stock is carried for but two weeks ahead—orders going in to the manufacturers only as the amounts get low.

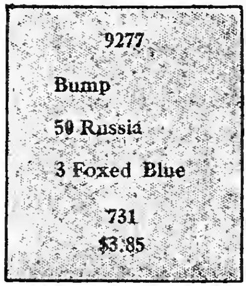


CHART IV: This little tag is the basis of a money-making shoe stock system

This same scheme not only cuts down the item of rent, but also of clerk hire. A small sales room requires fewer clerks than a large one, while the total amount of sales is comparatively greater for each clerk.

Saving money by keeping just enough stock to meet a reasonable demand for the shortest convenient period of time, is a scheme that comes within the province of all kinds of retail stores where any number of lines of goods are carried.

A Western retailer has found that it is possible to control both costs and sales by means of a weekly "profit and loss" schedule.

This embraces itemized department statements, which give statistics for comparison and tabulated reports that offer immediate warning of appreciable drops in sales or marked increases in expenses.

These statistics first offer a standard which can be followed at different periods of the year and under special conditions. Then any variation from this standard is clearly noticeable and action can be taken before any important loss is sustained.

A Southern retailer, using this weekly analysis of the store's business, was able to reduce his problem of buying and selling to a mathematical basis.

He allowed sales to govern the purchases, though the volume was regularly swelled by forced price-reductions, which spelled, of course, a diminution in profits.

For instance, in January and February, the two months in which spring buying is done, purchases ran high, while in July, one of the quiet months, they were, on the other hand, low. Each of these months showed a well defined percentage of the year's total sales as a guide, while during the months of March, April and May the

CLASSIFIED

	Buying			Selling								Fixed and			
Date	Salary	Misc.	Total	Salary	Supplies	Bonuses	Returns	Advert.	Display	Misc.	Total	Ledger Salaries	General Wage	Rent, Etc.	Insurance
Jan. 1												160 00		32 00	14 0
2					3 00			14 00							
3															
4		2 50					5 00								
5									2 00	1 00					
6	30 00			60 00		6 00							180 00		
Week	30 00	2 50	32 50	60 00	3 00	6 00	5 00	14 00	2 00	1 00	91 00	160 00	180 00	32 00	14 0
8								8 00				160 00		32 00	
9							2 00								
10								26 00							
11		1 20								60					
12					2 00			40 00							
13	30 00			60 00		12 00			8 00				180 00		
Week	30 00	1 20	31 20	60 00	2 00	12 00	2 00	74 00	8 00	60	157 60	160 00	180 00	32 00	
15					8 90			20 00				160 00		32 00	
16	1 40					1 40			8 00						
17										1 80					

CHART V: Up-to-the-minute figures check on hidden expenses, give you the pulse of your business and put your credit on a firm foundation. A progressive retailer gets daily figures by classifying his expenses as here shown. It is only necessary to prorate your

same plan of analysis showed that sales might be expected to out-distance purchases by a definite margin.

So erratic temperaments and personal opinions can be entirely eliminated in the matter of sales, purchases and expenses, and a safe basis used as a check.

Cuts in the Elusive Overhead Follow Watching These Small Items

By removing its shipping department and stock rooms from a skyscraper in Eighteenth Street, in one of New York's danger zones, a large mercantile house, with considerable wholesale business, was able to effect a marked saving in insurance rates when a model loft in South Brooklyn was taken for this purpose In the new location the conflagration risk was at a minimum and the insurance rate dropped from fifty cents to twenty-two and one-half cents per hundred.

Many stores have added fire-proof ceilings and a sprinkler system and so reduced insurance rates to a considerable extent. The same opportunity is open to the majority of retail concerns, in the city or country.

EXPENSE														
Management					Delivery			Discount						
Interest	Fixtures	Light and Heat	Misc.	Total	Wage	Equipment	Total	Merchandise	Expense	Total	Total Expenses	Gross Sales	Cost of Sales	Gross Profit
								1.80		1.80	206.00	375.00	254.10	120.90
	1.00		2.60					10.10	1.20	11.30	20.60	320.00	106.50	213.50
		18.00				12.00					30.00	310.10	100.60	209.50
2.00								8.10	6.40	14.50	4.50	200.40	69.60	125.80
		10.00						6.70		6.70	13.00	410.50	160.20	250.30
					45.00			7.10		7.10	321.00	360.10	120.30	239.80
2.00	1.00	28.00	2.60	419.60	45.00	12.00	57.00	33.80	7.60	41.40	595.10	1976.10	811.30	1159.80
								6.10		6.10	200.00	410.20	274.10	136.10
		12.00						1.80	1.20	3.00	12.00	360.10	241.60	118.50
	.85							.80		.90	26.85	280.00	191.40	88.60
			4.60			8.40		7.60		7.60	14.80	405.10	270.20	134.90
1.10								12.40	3.10	15.50	43.10	310.20	100.10	210.10
		14.10	5.10		45.00			1.30		1.30	354.20	501.10	152.80	348.30
1.10	.85	26.10	7.70	409.75	45.00	8.40	53.40	30.10	4.30	34.40	650.95	2266.70	1230.20	1036.50
		16.80						1.80		1.80	297.70	510.30	342.60	167.60
	1.40		3.40					16.10	3.40	19.50	16.10	301.60	205.20	98.40
1.10						15.00		5.80		5.80	17.90	275.80	180.10	95.70

fixed charges and add them to your daily expenses. The gross profits can easily be figured at the same time and arranged to give weekly and monthly totals. The returns are subtracted from the gross sales to secure the net sales, and fix your profit and loss

By borrowing from the bank and discounting all orders, a small retail store in the country was able to reduce the interest on necessary investments to an important extent. While this is one of the small miscellaneous items, it is well worth considering. It is usually possible to borrow from the bank at the annual rate of six per cent or less, while the discount on purchases usually amounts to about two per cent a month, or twenty-four per cent a year.

The delivery expense is another item which may often fluctuate decidedly. A grocer in the suburbs of a large city found that his delivery costs were running as high as two and a half and three per cent of his sales. An investigation showed that the same territory was being covered two and three times a day by an inefficient method of routing the wagons and through the store's policy of delivering direct on rush orders.

By carefully routing his wagons, making two regular deliveries a day and using a motorcycle to handle special deliveries, this grocer was able to cut this percentage below one and a half per cent.

Another retailer whose deliveries naturally divided themselves into two classes—those which went to customers within a radius of two miles and those which must be delivered a distance of four and six miles—found that his delivery costs were running unusually high because of the time required in making the long distance deliveries by wagon.

He purchased a motor truck and started it on the long distance work, where speed was especially desired and stops infrequent, and left the nearby delivery work to the horses and wagons. The result was a decrease by half in the percentage of cost.

The item of advertising is another expense that de-

mands close watching. A furniture store discovered that by hiring a man who had been especially trained in window trimming and who could devote half of his time

TYPICAL SHOP AND OFFICE EXPENSE ITEMS						
Expense Items	A Plumber's Shop $20,000 Yearly Volume		A Retail Shoe Store $196,000 Yearly Volume		A Real Estate Office $100,000 Working Capital	
Owners (Administrative) Salary	$ 1300	00	$ 2500	00	$ 8664	00
Pay Roll	516	00	22384	00	19760	04
Rent, Including Heat	270	00	8500	00	2100	00
Delivery, Including Salaries Livery and Chauffeu.s Salaries in Case of Real Estate Office	700	00	1990	60	9732	84
Light	18	10	490	16	233	40
Postage and Car Fare	125	20	102	10	718	20
Advertising	10	10	7000	00	5909	52
Insurance	25	00	431	30	120	00
Taxes	30	00	482	12	1200	00
Contributions and Dues	24	00	150	00	60	00
Interest on Capital	120	00	2500	00	3000	00
Telephone	72	10	81	20	564	60
Misc. Supplies; Extra and Incidental Expense	515	40	1743	03	4789	76
Interest and Discount on Bank Loans			1000	00		
Stock Depreciation and Reductions	250	00	5240	10		
Interest and Depreciation on Fixtures	10	00	500	00	100	00
Total Expense	$ 3985	90	$ 55094	61	$ 56952	36

CHART VI: The actual expenses of a shop, a retail store and an office are classified here. Whether you are selling goods or service, you can decide whether your cost to do business is excessive by comparing it with these normal figures

to the windows and advertisements in addition to clerking in the store, it was able to decrease the newspaper advertising appropriation by two-thirds.

While the added salary of the clerk was a small extra

expense, the saving in the big item—advertising—was sufficient to reduce this cost from three and nine-tenths per cent of sales to about two per cent.

The window display is valuable in the small town as well as in the city, and very often if it is efficiently handled and the location unusually desirable, it can be made to care for the biggest part of the advertising.

A laundry in a small city was able to decrease depreciation on equipment—an item often covered in miscellaneous expense—by placing a blank report slip within reach of all employes, on which they could note any needed repairs. This lengthened the life of the machinery and delivery equipment sufficiently to decrease the depreciation item nearly one per cent.

A similar scheme used in the office of a dry goods store took care of supplies of printed forms, stationery, postage, pencils and typewriting supplies, and prevented waste and over-stocking of these miscellaneous items. Each member of the office force was required to turn in a weekly slip reporting the supplies he needed—the result was a saving of three-tenths per cent.

Wherever there is an excess in an expense item, it is usually discovered through careful analysis and by watching the business. Frequent statements that include every item of running expense are the safe way to locate abnormal expenses. Once known there are usually a number of ways for meeting the difficulty and getting the expense down to normal.

CHAPTER IV

How to Reckon and Watch Profits

MANUFACTURING, wholesale and jobbing houses usually know the exact profits that they realize on sales from day to day. As a rule, retail merchants largely base their estimates of profits on their experience during past years—only to find that in many instances when the annual or semi-annual inventory is taken the expected profits in some mysterious way have dwindled.

Two factors to determine the amount of gross profit that may be marked on any article are competition and expense. If competition is not too great, selling prices may be gradually raised until the mark-up safely exceeds the percentage of selling expense. Where competition is keen, the safest remedy lies in an increased volume of business at a lower profit.

An important step is to keep a record of the amount of the selling price that is lost by "mark-downs." For this purpose a form is often provided on which is recorded the quantity, description, selling price before reduced, the reduced price, and the extended difference. By subtracting this difference from the original selling value, the net gain on the transaction and the percentage

of profit may be determined. This record is reported to the office each week.

The amount of these reductions is then added to the actual sales of the department for the corresponding period and the result is the original selling value of the merchandise sold. If the selling price mark-up on the merchandise averages thirty-three and one-third per cent more than the cost, then, of course, by deducting thirty-three and one-third per cent from the original selling value, the cost value is obtained. If, in turn, this amount is deducted from the actual sales, the exact amount of gross profit is secured.

The percentage of gross profit for the week is obtained by dividing this amount by the sales. The loss or gain is measured by the margin by which this profit exceeds or falls short of the cost of doing business. Here is a specific example that shows the method by which the difference between cost and value of the goods and the gross profit, is determined:

Sales for the period	$1,525
Reductions	224
Original selling value	1,749
Less 33⅓ per cent	583
Cost value	$1,166
Difference between cost value and actual sales, or gross profit	359
Percentage of gross profit	23½%

Then, if it costs, say twenty-four per cent, to operate this department, the loss of the week would be one-half per cent, or $7.12. On the other hand, if no reductions had been made and the cost per cent to operate remained the same, the gross profit would have been thirty-three

and one-third per cent and the net profit \$163.24. It will thus be seen that reductions must at all times be carefully recorded.

Stock Records Which Check Merchandise and Watch the Clerk for You

Progressive retailers, to keep track of profits, not only provide an accurate record of cash received and cash disbursed, but also a stockkeeping system that accounts for merchandise on the shelf in a manner to check employes who might sell goods worth one dollar for fifty cents.

"No merchant can hope to realize more for his merchandise than he has marked it when it was placed in stock. Of course, the reverse is to be expected, for frequent price reductions are necessary in order to keep odds and ends cleaned up, and it is just as necessary to keep an accurate record of all selling price changes," says one retailer.

This retailer does not find it difficult to keep his stock records straight, as he uses a system that keeps close tab on all his activities. He also places opposite each item on an invoice, after it is checked in, the selling price of that article. By extending these items, his bookkeeper easily ascertains the exact amount of revenue realizable on each bill of goods. The gross profit and rate per cent are then readily determined.

One invoice, of course, is not enough to judge the percentage of gross profit, so this merchant has a plan that makes a perpetual record. Double columns are provided for each department and each invoice is entered at cost and at selling value. In this way the merchant is able at all times to determine the average profits that are made by a department; if they are not up to the

standard, he may take steps to change the condition.

An Ohio hardware dealer, in a city of ten thousand, has perfected a system of keeping track of the weekly department turn-overs of his business and uses the record as a guide in buying, charging and stock-keeping. So simple is the plan that it is practically self-operating. While devised by a hardware merchant for his special purpose, it can with but slight changes be adapted to any store.

How the Sales Records of a Retail Store Are Kept for Four Dollars a Week

In putting the scheme into operation, a complete inventory and classification of the stock according to departments is made. Each class of goods is defined by a general term such as "house furnishings" or "tools," and the initial letter of the term selected is used as a record mark in referring to stock.

Month Ending	B	M	T	E	F	S	C	N	G	Total
March 1912	3031.	1580.60	970.	80.	462.20	3000	769.01	1000	500	11,392.81

CHART VII: Your cash sales may well be carried every day to the "Sales Book Summary" shown here, and the charged sales at the end of the week. You can secure the department figures by dissecting your sales slips

To make easy the work of clerks in entering records, the key-letter of each class is written or rubber-stamped on the shelves or on the packages in which the goods are wrapped. The classifications used by the orig-

inator of this scheme are: builders' hardware, B; house furnishings, F; miscellaneous, M; stoves, S; Tools, T; electrical goods, E; china, C; cutlery and guns, G; bolts, nails and screws, N. These classifications can be

Sales	Date	B	M	T	E	F	S	C	N	G	Total Sales	Rough Estimated Cost
Cash	May 1	40.15	15.20	14.90	5.00	16.08	25.00	9.87	10.06	5.16	$141.42	$90.00
Cash	" 2	38.20	14.14	12.06	6.60	16.30	27.20	9.33	12.04	8.77	144.64	91.50
Cash	" 3	42.18	16.09	6.00	15.00	21.03	19.55	4.25	14.75	77.50	216.35	139.54
Charged	Week ending May 4	120.	42.	48.	18.90	42.30	61.07	32.03	49.17	18.	431.47	287.64

CHART VIII: This summary of purchases, or the "Purchase Book Summary," receives the net monthly purchase totals classified by departments. It regularly gives quarterly balances, but totals can easily be ascertained at any time

extended or modified to suit the requirements of any particular store.

Incoming invoices are checked by putting the key-letter for the class of goods opposite each item. The various amounts of goods purchased and stocked in each department, with the name of the maker, date of shipment and the retailer's number of the invoice, are carried to a "Purchase Book." A summary of totals is made for each supplier and each department in the store, and discounts are deducted according to departments.

At the end of the month, each classification is totalled, credits received deducted and the net total amount carried to a "Purchase Book Summary." The total amount of purchases made during the month in each department can be seen at a glance. A duplicate sales slip is made out for each sale with the class initial of goods sold entered on the bill opposite each item. An

ordinary sales book system suffices for keeping these records.

At the end of each day the bookkeeper totals the amounts sold for cash in each department by the sales slips and deducts charged sales. The cash amounts are carried to the "Sales Summary Book." Charged sales are entered in the Day Book and dealt with weekly. Entries in the Purchase Book are based on delivery costs. Prices in the "Sales Summary Book" are the prices at which goods are sold.

The plan yields prompt returns by putting the storekeeper in possession of full-figure facts about his business. Relying upon annual or semi-annual inventory taking is a dangerous practice, since small daily losses amount to a formidable sum when allowed to accumulate for a period of from six to twelve months. Under the annual inventory system, before the leaks are discovered, the business is saddled with a deficit which takes months to overcome. Often recovery is impossible. At an operation cost of four dollars a week, this method of keeping track of sales, deliveries, purchases and stock on hand comes back to the owner many times multiplied in the shape of loss prevented and profits made possible by running the store on a basis of exact knowledge instead of approximation.

Net Profit

YOUR only way to get around high operating costs is to cut out the waste or to see that the high running costs are covered by the price.

Part II

HOW TO HANDLE YOUR TRADE

The Store That Serves

WHEN your competitor across the corner ties up his funds in mahogany equipment, keep yourself from the opposite extreme. Don't match positive waste with negative. Cripple your store with neither too much nor too little. Keep your balance.

Pay your location, your building, your windows, your counters, your sales people, only for *their effectiveness in serving your trade.*

Whole rows of thousand dollar display windows are blind to the wishes of those who pass.

Entire advertising campaigns fail to tell the customer how he is to be served for his money.

Many a merchant hires an orchestra to attract loungers, and forgets that little silent salesman—the price tag.

Store arrangements that devour your time ride your pay roll. Mistakes that delay your customer drive him across the corner.

The store that succeeds is the store that serves—that saves time and steps—that offers what customers want, and makes it simple, easy, pleasant, to buy and get away.

PLANNING YOUR STORE FOR MORE SALES

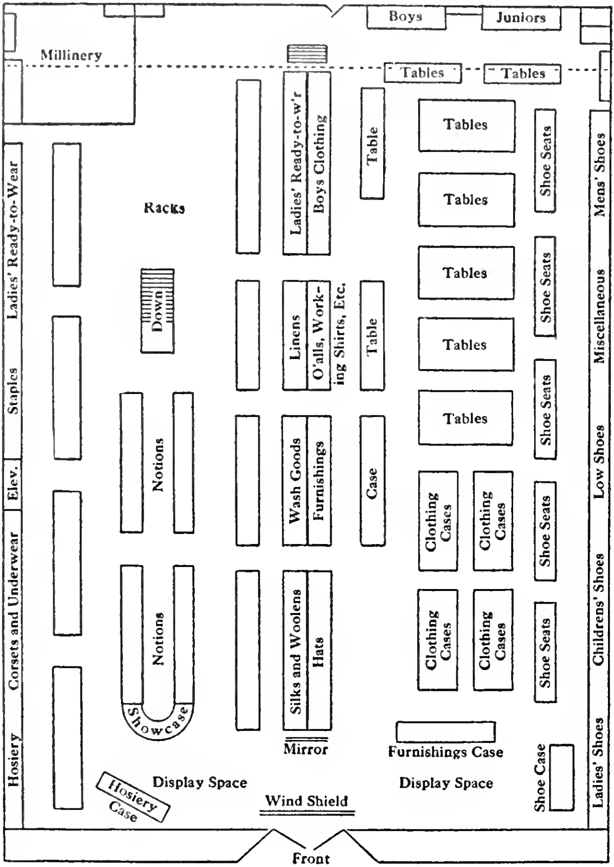


CHART IX: This chart shows how a retailer made a floor plan increase his sales forty per cent. He placed articles of everyday use in the rear and led his customers to them through many attractive displays intended to suggest additional purchases

CHAPTER V

Making Window Displays Draw Trade

WHETHER you are retailing in country or city, the show window is a form of salesmanship which you can keep within arm's reach of the passer-by every hour of the business day. Windows are exceptionally good types of flexible salesmanship and unusually inexpensive ones.

It is true that all your competitors have this same form of salesmanship in their service. To overcome the apparent disadvantage, you are forced to use your windows with individuality. They must be taken into comradeship with your salespeople. They must demonstrate with the pride of a clerk enthusiastic for the store that back of them stand the stock, the shop, the merchant out of the ordinary.

To accomplish this and make your windows pull for net profits with their full power, it is necessary to consider them silent salesmen. They are dumb salespeople. The windows must for this reason be made to talk in the manner of a dumb person—in motions, or demonstrations, or signs.

Place something moving in the windows and they are

no longer dumb. Better still, have them demonstrate your goods in the making or in some other way connect with your stock the selling appeal you give them.

Then crowds will stop. A city music store dressed a window to represent a small, instrument-cluttered violin shop. In it an old violin maker puttered about, repairing, rebuilding and varnishing, exactly as if in his attic shop at home. Hundreds of people stopped at that window every business day. A member of an orchestra which played in the city during a coast-to-coast tour, inquired at his hotel where he could get a valuable violin repaired. "Why," replied the information clerk, "I passed a window at the corner of Spring and Essex Streets yesterday with an old fellow in it repairing violins. It was certainly a dandy window. Those people should be live enough to help you out right." The musician found the shop and received good service.

Concentrate on Suggesting Desires Your Stock Can Fill to the Customer's Satisfaction

There is another fundamental rule to remember when working with your windows. The good salesman talks one thing at a time. A good window will usually feature but one attraction or line. You may use some secondary sign or a moving object to attract to the display, but make the display itself concentrate on one subject. Give the customer's mind a single idea upon which to center.

Your windows should stand on the street and pleasantly, cheerfully, reasonably ask every person who passes to step in at your doors. Think of them in this light. It is then evident that they should, above all, be dressed with extreme care. They are not doing you justice if they display a generous stock of brass and nickel fixtures topped by bunches and heaps of stock—that is, unless

you are selling brass and nickel window fixtures. Hide the fixtures; if that is impossible, use something that goes naturally with the stock displayed. Hang the hat on a cane instead of a brass rack; hang the summer dress over a June-day parasol, and discard the nickel poles.

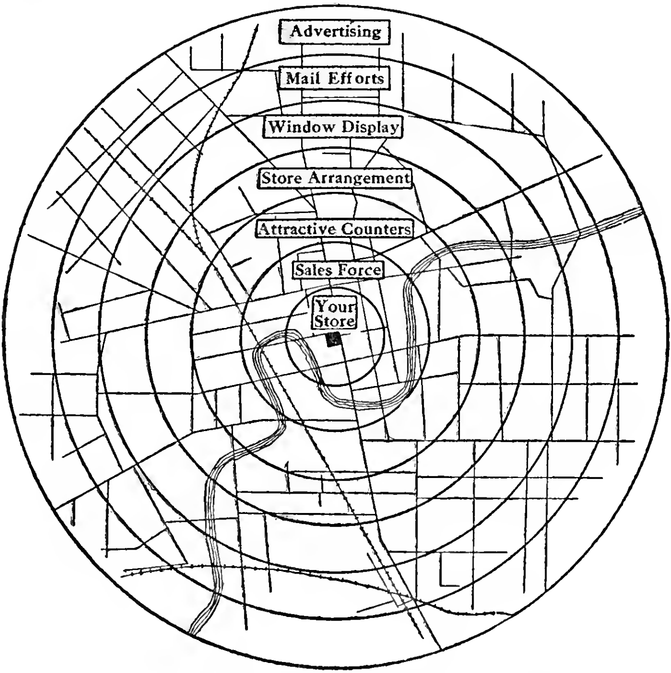


CHART X: The selling forces that attract customers from the trade territory of which your store is the center. Each medium reaches its small or large circle of prospects; the salespeople using their persuasion with actual inquirers, the counter and store arrangement urging store visitors to buy, the window display drawing in passers-by, and publicity carrying the magnetism of values throughout your town and its rural routes

Trade springs largely from suggestion, if you stop to analyze it. April suggests new suits. A remark overheard on a busy street suggests that you need new shirts. Windows are suggestion experts when properly

equipped. Let them always suggest first of all, then *give them stock to show and prices to quote* which will fan suggestion into desire.

A reasonably strong desire will persuade a passer by to come inside. This suggestive pulling power is shown, for instance, in the simple display of an Eastern furniture store selling a new make of reversible vacuum cleaner. In the center of the window a light red and blue ball goes spinning about a silver plate. Around it goes with a steady ease which apparently accomplishes perpetual motion. Of course, you quickly see the nozzle of a reversible vacuum cleaner is resting at just the right point on the edge of the plate to drive the ball. Back of the nozzle you discover Blake's vacuum cleaner pumping air through the nozzle; and in the center of the plate, constantly circled by the ball, this card:

This is the Way to Get Around Dusty Cleaning

Not perpetual motion—but a sure-fire way of securing dustless cleaning

Come in and let us show you the cleaner picking up little threads and bigger things

The advertising man for this store was following a definite idea when he ordered this display. He had three fundamental purposes in mind: publicity, co-operation with clerks, and a tactful invitation to customers to visit the store. Displays of a similar nature can be made adaptable to windows of any size.

You may dress your windows with technical correctness, and offer in them good stock at fair prices, but if you do not enliven them with originality, you lose half

their value. Either new ideas must be featured or old ones seen from a new angle. Without some assistance from outside, it is often difficult for the retailer to find original display subjects. Many manufacturers offer a display service which is especially valuable.

Write to the manufacturers of your lines and find out what they can do to help you. They supply cards, models, samples and other materials. One large New York fur house plans and writes entire advertising campaigns for its retailers and on request sends an expert to go over the situation on the ground.

Another unfailing source of ideas and suggestions is open. This is from current events of local interest. A confectionery in an Ohio town, for example, after supplying the pastries for an elaborate banquet held by a local organization, made an over-supply as a window display, letting an attractively printed card tell the story:

> THE PASTRIES FOR THE BUSINESS MEN'S BANQUET WERE SUPPLIED BY THIS STORE. STEP IN AND TASTE SOME OF THEM.

Incidents are happening at all times which may be connected interestingly with the goods that retailers display in their windows. By watching the most clever displays of various stores in his town, a shoe store proprietor found he could accumulate many clever display schemes which could readily be changed slightly and adapted to his own purposes.

An inanimate object displayed in a store window may catch the attention of the passer-by. Put that object in motion and it holds his interest. Make a man or woman

"do something" with that object and the passer-by stops to watch and then may be drawn into the store.

Featuring Goods by Showing What They Do Usually Results in Increased Sales

A grocery firm decided to acquaint the public in a town of seventy-five thousand inhabitants with the merits of a certain brand of boiled ham. Dressing a man to represent a typical chef, he was put in the window to cut slices of the ham for feminine shoppers, and some two hundred women patrons daily had a taste of this meat—a large percentage of them deciding it was "delicious" and purchasing. It was the combination of this scheme of display with the idea for touching the woman's purse through her palate that made it an effective "puller."

A hardware dealer used this idea of "action in the display" to dispose of a large stock of safety razors.

This dealer placed a card in his window which stated that he would pay ten cents for the privilege of shaving a man in his window. Some fifty applicants, eager to be shaved, were engaged and ten men were shaved during the hours of demonstration.

This scheme proved a big attraction, and morning, noon and evening the pavement was crowded, a good percentage of the lookers stepping inside to examine the big variety of razors on display at the side of the window.

A concern selling vacuum cleaners used the same method to get customers in the store and sell them. A general store disposed of a quantity of kitchen utensils by an almost parallel plan. There are few lines of goods where some scheme of this kind cannot be applied as an effective "silent salesman."

There is still another kind of window display that

can be used effectively to draw trade. This is to impress the passing public with the quality of the goods through a demonstration that shows how they are made.

A shoe dealer secured several employes from a manufacturer and enough machines for his purpose, and then started making shoes in his display window. The busy shoe-makers at their work attracted a good deal of attention—the scheme turned out to be a big factor in advertising his goods and in pulling trade to the store.

Many a buyer does not know he needs a certain article until its merits have been forcibly impressed upon him through some such show window demonstration as this.

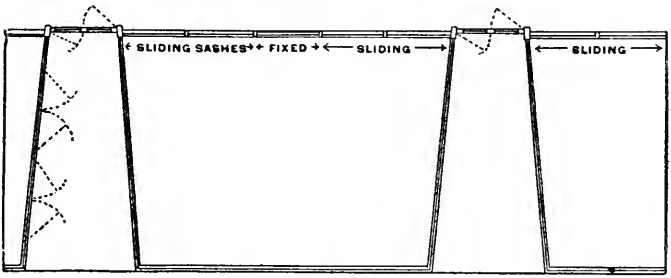


CHART XI: The idea back of this window lay-out takes advantage of the fact that display is of the greatest value when near both the goods and the customer. These display windows are built into the doorway, and enclose a path to the counters

Often the mere pricing of all goods in the window, where these prices are sufficiently unusual, serves as one of the most effective means of drawing customers into the store. It is true that many retailers object to the use of the price ticket on the ground that it places price above quality and only brings buyers into the store to get that one particular article.

This is all any kind of an advertisement does—it depends upon the clerk or the display within the store to multiply a customer's needs when once he enters.

When the story told by the display window strikes close to a man's pocketbook, it hits the appeal that is often most vital. There are few lines of goods which do not demand that the prospective buyer look over a stock to some extent before purchasing, and an attractively displayed stock within the store creates the desire for other goods—that have not been cut down for advertising purposes.

But all schemes for drawing trade through price-marked goods on display must include a method of marking the goods that is neat and attractive, such as varied colored cards that do not detract from the appearance of the goods, and cards with catchy words of selling talk in addition to the price.

And whatever the scheme for making the show window do its share of the selling work, it can only reach maximum effectiveness when coupled up carefully with the displays inside the store. For it is seldom that the goods displayed for advertising purposes are the ones that offer the big profits. Let the display window draw the buyers—then, once in the store, it is the work of the sales force and the store displays to create a desire for other and more profitable goods.

LET your customer know that a personal interest attaches to him—a real personal interest that is not measured wholly by his orders and his dollars—and you will win in return that close personal association and active support that builds up business.

—*George H. Barbour*

CHAPTER VI

Floor Plans and Store Lay-out

THE retailer daily faces two problems—purchasing and selling. Successful purchasing depends entirely upon his knowledge of the market and his ability to forecast the immediate demand. Successful selling depends almost entirely upon the attractiveness of the store, the conveniences it affords, effective advertising, intelligent clerks, prompt deliveries, honest goods and innumerable other factors.

Under the heading "selling forces" may be placed two factors—personal and impersonal. The first of these two elements deals with shop service fostered by the manager from the highest paid clerk to the cash girl. The impersonal forces include window decorations, merchandise displays, and the convenient arrangement of the various departments.

"Stock displays," says a successful retailer, "are the greatest silent force in modern merchandising. They are the pace makers for the salesman and the saleswoman. Fully forty per cent of our total sales may be traced directly to shop arrangement."

The woman who visits the store planning to purchase a gown does not realize how cunningly the department she

must visit is located so that to reach the suit department she must pass both the millinery and shoe sections. After purchasing a suit, the season's latest hats entice her with their beautiful plumes and flowers. All along her way, in fact, bargains are lying in wait, making it easier to buy and harder to leave the store without making more purchases than she at first intended.

How a Customer Is Induced by the Arrangement of Goods to Make Unintended Purchases

An Illinois merchant hit upon the plan of arranging shirts, ties, underwear and furnishings near the street entrance most frequented by men, realizing that the busy business man takes no pleasure in elbowing his way through crowds of women. Accordingly the men's wear is made most accessible and every art of the retailer is centered on making the displays so attractive that the customer who hurries in for a half dozen pair of socks will end up by buying a shirt and tie; so conveniently arranged, in fact, that they really sell themselves, the clerk merely taking the order.

The merchant who appreciates the possibilities of selling goods the visitor has not thought of buying, plans the store in detail with a system which would amaze the outsider who does not realize that she cannot buy even a spool of thread without walking past counters, tables and show cases, alluringly filled with novelties and dress accessories that catch the eye and stimulate the interest, and, if possible, could be turned into a purchase. To reach any department, she must run the gauntlet of alluringly displayed necessities.

Some retailers have hit upon successful plans without appreciating just why their arrangements acted in speeding up sales, but the observing merchant daily asks his

department heads "Why" until he has established a number of principles applicable to extending the science of the store.

The larger stores group their merchandise. One entire floor may be devoted to house furnishings. When the shopper is looking at rugs, it is easy to interest her in curtains, if they are just across the aisle.

It is not from chance that carpets, draperies, furniture and clothing are located on upper floors. Experience has shown that customers go to a store with the fixed purpose of looking at these articles. The first floor must be reserved for silks, lingerie, novelties, and small articles of merchandise that the customer had no thought of purchasing before sight of them awakened the desire to buy.

The department manager of an Indiana furniture store, approached the end of the season with a large number of cedar chests on hand. They did not sell. People either overlooked them or the surroundings were not right to stimulate buying. He had them placed three in a row on each side of the main aisle leading to the rug and carpet department and just in front of the elevator entrance. Across each chest he threw a handsome Oriental rug, leaving the lid of the chest open. The display immediately caught the eye of the women going and coming from the carpet department and suggested the many uses there are in a home for cedar chests. The entire lot was soon sold—sales that were induced by proper arrangement.

The question of color effects is followed with the skill of an artist by many efficient in the arrangement of goods. The large stores aim to dress their decorations in bright colors for half tone light and in subdued colors for broad daylight. On dark days brighter colors are thrown out whenever possible. The question of lights is no less im-

portant and department heads make it their first duty to see that the proper number of lights are turned out and a strong color contrast secured. The most brilliant lights are provided for the china and cut-glass departments, while the furniture rooms call for subdued lights that emphasize general lines and effects, rather than details.

Schemes That Add to the Convenience of Customers Increase Sales but Swell the Overhead

A degree of privacy must be provided for in certain departments—for the customer is often flattered by having goods brought out and spread before her alone. Then, fitting rooms for trying on corsets, coats and other apparel are provided, and a "costume room" is found in the larger city stores where evening gowns may be seen in artificial light. The little ones are not overlooked either, for no matter how great the pressure for space may be, the shop-keeper finds a place for an infants' room where babies can be cared for while mothers shop. A play room is fitted up with swings, sand piles and amusement facilities that serve the purpose of entertaining the children and enlisting their services in advertising the departments by teasing their mothers to shop there and coaxing their fathers to buy swings and devices they won't be happy until they get.

Some departments are as much fixtures as the store itself, while others are moved weekly or even daily—a veritable game that the storekeeper plays with his customers to lead them here today and there tomorrow, thus familiarizing them with every nook and corner of the establishment. If a line of goods does not sell in one place, it is moved along to a more favorable location.

The "bargain basement" is a permanent department in many stores, and even in the smaller shops the most

effective arrangement for moving slow, old or sluggish stocks that need to be disposed of quickly, has been found in such departments. People will go down-stairs to buy very readily where they would hesitate to go up, even in stores with elevator service. This has been demonstrated by retailers who have carefully studied selling. Women with time for bargain hunting find the basement a field for careful and economical buying. Where goods are displayed on open counters, the buyer may pick over and choose from the stock in the easiest possible manner. Articles loosely placed over counters add the "charm," if such it may be called, of an absolutely free and unrestricted choice of the assortment.

An Eastern druggist hit upon a very effective way to get the buyer's eyes on goods that he would not otherwise have thought of buying, and the plan has been copied widely. In many drug stores that dispense soda water and light lunches, tables for patrons are topped with a glass covered box, the glass forming the surface of the table; an excellent opportunity for displays of toilet articles and other goods that will appeal to the passing fancy is thus offered. Even though this method of display is somewhat restricted to certain businesses, the idea may suggest other means for making the buyer see the goods—and seeing them so attractively placed that he or she will want to buy.

In a small suburban town, the manager of a general store hit upon a plan to cleverly arrange his wares and get the most sales. Staples of the store's main stock—groceries—were all placed in the rear, except fruits and seasonable goods, which were shown in front. With the groceries in the rear, one entering the store would go the length of the aisle. Between the counters, tables were used to display mucilage, stationery, waste paper

baskets, fancy goods, cooking utensils and many things that the housewife uses daily, but otherwise might not have thought of or bought. This plan materially built up sales outside the grocery department.

Opening the eyes of retail clerks to what the store is selling—establishing a connecting link between window displays and stock—is necessary if the full value of the window to the merchant is to be realized.

Window Displays Must Be Supported by an Efficient Sales Force and Attractive Store

It has been said the human eye is the window of the soul. In business terms the window display is the eye of the store. Unless a permanent connection is made between the windows and the location of the stock, all the effort and art expended to secure attractive show windows is wasted. What an efficient clerk could have done may be drawn from the example given here.

During a recent "silk sale" in Boston, a woman passed a prominent department store one morning. She had not set out to buy, but the rich display brought her to the window, and her eye fastened upon a beautiful black silk remnant there displayed. Instantly the shimmery cloth became the focus of her vague ideas about a gift for her mother—some suitable little souvenir to take back to the village home.

She went to the silk counter and described the piece of goods. The clerk scratched his head and at random picked out several patterns of the same price. The woman insisted that she had not yet handled the same patterns shown in the window. The clerk got down another batch, with the same result. His manner grew less courteous, and he hinted that the woman had passed over what she wished without recognizing it. Twenty

minutes were frittered away for the shopper, a companion and the salesman. The counter was strewn with silks to be put away later.

The shopper kept both her temper and her opinion, however. She declined to take what she did not want, merely to avoid robbing the window early in the sale. She invited the clerk to the sidewalk and made him do what a clerk rarely does—look at the window display of his own store, the criterion by which customers judge the goods he puts on the counter.

Moreover, the woman was right; she had not been permitted to handle that particular leader. She carried away five yards of it.

Whole rows of thousand-dollar display windows are blind on one side, and the proprietor doesn't know anything about the blemish. But here and there clerks as well as customers know the displays.

In getting dividends from its show windows, a clothing company in Chicago uses a method that is roundabout, but effective. During slack hours—and this usually means the early morning when the men's minds are keen-edged—squads of clerks are sent up to the store's "school of salesmanship." An "instructor" receives them and gives each squad a straight-from-the-shoulder talk on selling—on helping yourself, the customer and your employer.

He teaches the salesman how to find anything in the store and how to direct a customer to any point; how to do this courteously, without an air of superiority. And incidentally, how to match a window display or climb into the window and get what a customer wants.

More novelty attaches to the method followed by a large department store in the same city. Blanket advertisements in the newspapers aim to feature something

on every floor. Window displays follow this publicity closely. And the clerks know what is advertised.

They know, because the "blanket" is cut into sections, which the floor-walkers on all the ten floors spread as news of the day's features.

The matter does not stop even there, however. Routine puts the thing through. The advertising sections go to an attendant who gives graphophone announcements and concerts in the lunch rooms, one day to the men; the next, to the women. Two horns are used, under the attention of the operator, who is behind a curtain. And between Sousa and Caruso, let us say, the clerk announces by means of the second horn, that to-day, ladies' oxfords, tennis rackets and novels are "featured." It follows they are on display in the windows, under the eyes of the passing thousands, and are being asked for every minute.

This speech tells only what the clerks addressed need to know; and coming like a song announcement, it "soaks in" and actually oils the wheels of salesmanship.

Your selling force may not number into four or three or even two figures. Your annual bill for newspaper advertisements and window displays may not span five columns in the ledger. It follows that lectures and graphophone schemes may be too pretentious for your business.

Possibly what you will finally do is to get your clerks together for a minute some morning and say: "Notice that we're featuring the summer dress goods this week. People will be asking you for those choice pink and straw colors. Just stroll out when trade is slack, or at lunch time, get a breath of fresh air and—look them over. Then come in and locate them on the shelves."

But do something!

CHAPTER VII

Giving Customers Prompt Service

ONE of the greatest problems in most stores, regardless of their size, is to serve customers with a maximum of speed during rush hours. The scant analysis given to this subject is apparent in many stores, perhaps most conspicuously in the large stores during busy seasons or in crowded periods of the day. The congestion of urban population is blamed for most of this trouble, and no doubt some of the congestion in the stores would be unavoidable no matter what the methods. Much of it, however, could be eliminated.

Under existing methods, it is often impossible during the rush periods to serve more than sixty or seventy per cent of the customers who go to a store prepared to buy goods. The remaining thirty or forty per cent, after trying with more or less patience to spend their money at one counter or another, go away, perhaps to complete their purchases elsewhere, or maybe not to buy at all. It follows, therefore, that speeding up the selling operations will not only reduce the clerk hire and the overhead ratio, but will add to the volume of sales.

The manager in the shoe department of a metropolitan store increased his volume of sales about twenty per

cent, because he found a means of gauging the waste motion of clerks and eliminating most of it. He found that the advertising campaign brought people to the store but that the store selling mechanism could not take care of them. This waste was due almost wholly to a predominating fault of merchandising: the slow pace of customers in going through the store. In the shoe department during special sales, one-third of the prospective customers left without buying. A custom was in vogue of keeping the cheaper grades of shoes upon counters that immediately abutted one another, without adequate departments to separate the sizes and styles. Double the necessary selling time was lost by the clerks in hunting for goods, and twice as many clerks as were otherwise needed increased expenses. While measuring this loss the following time-study was made:

Number of customers served by one clerk	5
Total time	181 minutes
Average time per sale	36 minutes
Total sales	$9.25

This record was poor, showing a low average selling price, while an expensive over-head continued. Speeding up was what the department needed, especially since many dissatisfied customers took their cash away from the store because they could not be waited upon without undue loss of time. A time-study, after improvements had been made, showed the following results:

Number of customers served by one clerk	11
Total time	182 minutes
Average time per sale	16.5 minutes
Total sales	$18.25

An increase of 120 per cent in the number of customers served, and almost 100 per cent in money

volume of sales, shows the increase in selling efficiency.

The old and new arrangements in this department are shown by charts (Charts XII and XIII). Instead of the long counters on which collections of shoes were dumped, small detached circular counters were arranged in rows across the shoe section, each bearing a single size. During the rush of the special sales, the customers picked out the shoes they wished to try on, often without the aid of the clerks. Then, stepping to the seats, they are served in less than half the time formerly required. The change necessitated a very small investment in equipment, although the entire shoe section had to be re-arranged. Due to the arrangement of equipment, waste motion was largely eliminated, so that the continual sorting of stock by the clerks was done away with. Mixing the sizes was practically prevented by separating the circular counters enough to enable the crowds to pass between them. The greater part of the clerks' selling time could thus be devoted to actual selling, and not to sorting goods or hunting for them.

Customers Turned Away without Proper Attention Cut Profits and Weaken the Store's Reputation

When large numbers of customers come to the store to buy—in response to advertising campaigns—and must take their money away again because they cannot spend it without a prohibitive waste of time and energy, the reasons should be ascertained. The immediate loss of trade resulting from such a condition is not the most important factor. If the number of persons leaving the counters without being served would forget the experience, the loss would not be great. But they don't. When they wish to buy goods in this line again, they remember

the lack of attention and trade somewhere else.

Eighty per cent of the shelf room in a ribbon department was found to be wasted, owing to the scant facilities for getting directly at the stock wanted. Here the waste of time was very heavy, because clerks frequently had to remove many bolts from the shelves in order to reach goods in the rear of the spaces. To obviate this, it had been customary in some instances to leave the rear portion of the shelves entirely empty, heaping the goods on the counters instead. This, however, did not remedy conditions; often it resulted in a mixture and tangle that reduced efficiency below the former plane.

A study of one clerk showed these results:

Number of customers served	10
Total time	59 minutes
Number of minutes consumed in handling stock foreign to the sale in question	32 minutes
Percentage of time thus wasted	54%
Number of customers that might have been served with proper equipment	15

A plan was devised for revolving racks to take the place of the wasteful shelves. These racks were supplemented in some cases by special drawer-cabinets. The full degree of perfection in equipment cannot often be obtained, although the maximum may readily be approached. The value of the majority of such plans is usually greatly lessened by the lack of comprehensive system based on motion study.

In Manufacturing, Tools Are Carefully Selected; in Selling, Scarcely Considered

From the viewpoint of efficiency, a great many retail stores are wretchedly equipped for doing business. In the first place, there is a lack of specialization in fixtures.

In other words, one form of shelving and compartments does duty for an indefinite variety of goods. In the manufacturing field, tools are highly specialized and the most skilled engineering attention given to them. In the selling field, tools are scarcely considered, though in reality they are as important as in manufacturing.

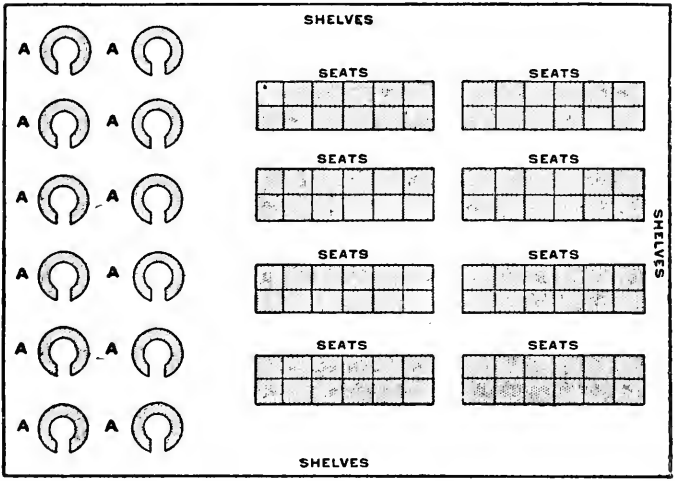


CHART XII: These fixtures in a retail shoe store are arranged the right way. The small circular counters (A) each display a single size. Customers can, therefore, make their selections without confusion and seek convenient seats to try on shoes

The selling tools are the fixtures and general equipment.

Nine-tenths of the display possibilities were found to be wasted in the study of a rug department. Visitors hesitated to call into service the clerk necessary to turn back rug after rug for inspection. The problem was not so much one of congestion as of clerk hire and the proper display of goods. It was seldom that the department became crowded with customers; more often it was empty. Customers usually came for the express purpose

of buying, although there was nothing to attract buyers. The casual visitor saw great stacks of goods with only a rug exposed to view here and there. Many customers, whose eyes might easily have been caught by some desirable rug, took their trade elsewhere.

A radical betterment has resulted from the installation of a hanger system which eliminates most of the waste motion. Swinging like clothes bars, these hangers suspend two rugs from each arm, back to back. Concealed electric lights throw a strong radiance upon the goods.

The great waste of selling motion that lay in the old method was found by time-studies. This observation embraced the operations of one clerk and his assistant during the sale of a 9x12 medium priced rug under the old system of piling the goods on the floor:

Number of rugs turned back for inspection by the customer	52
Number of operations in which the turning of rugs was duplicated twice	408
Number of operations in which the turning of rugs was duplicated three times	106
Number of operations in which the turning of rugs was duplicated four times	60
Average time required to uncover rugs for inspection	3 minutes
Total time	104 minutes

By the hanger system, turning operations were done away with and the services of the assistant discarded. Re-inspections of rugs could be made with a saving of ninety per cent of time. Several customers were able to inspect rugs on a hanger at the same time and conduct their re-inspection independently of each other. By this method one salesman, without a helper,

could effect a sale in fifty per cent of the time formerly required with a helper. The number of persons visiting the floor was also increased twelve per cent.

How a Congested Drug Department Was Reorganized and Its Customer Capacity Trebled

In a drug department, the congestion was commonly great in the selling efficiency of the clerks. A time-study determined that they were not doing within sixty per cent of capacity work. This was due in a great measure to the time consumed in getting the goods from the

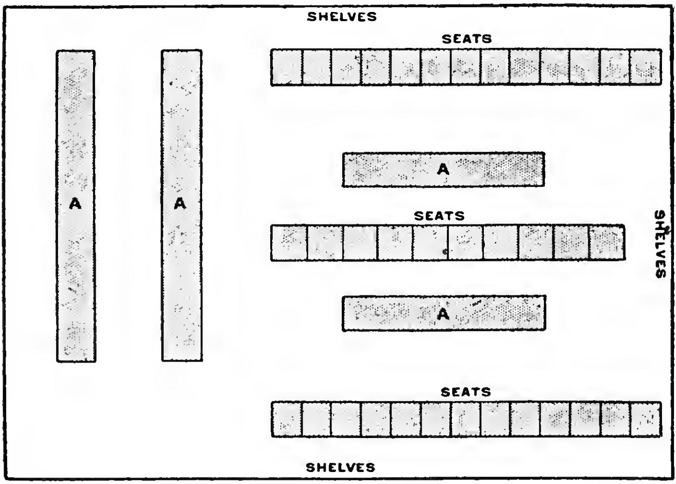


CHART XIII: Retail shoe store fixtures used the wrong way are shown here. The long tables (A) are covered with stock displayed regardless of size. Confusion, delays and lost sales result

shelves. Owing to the elongated dimensions, the clerks frequently took forty or fifty steps in securing goods. Experiments indicated that this waste could be cut down at least sixty per cent by re-arranging the counters.

Under the new arrangement, a clerk could stand in each of the sections and be within reach of most of the goods be sold. An overhead basket-carrier system handled his bundles. The width of the aisles for customers was

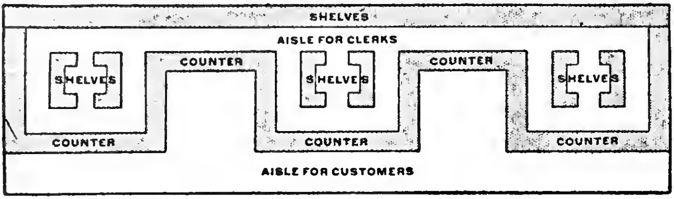


CHART XIV: These counters are arranged to increase selling efficiency by placing salesmen always within reach of the stock they usually handle. Portions of the counter are hinged so that clerks can get to their posts

reduced, but the crowds turned out three times as fast. Goods were better selected and the use of purchasing cards—sometimes called transfer blanks or travel slips—encouraged a customer wishing to make purchases in two or more of the drug sections. Wrapping and money changing was speeded up to correspond with the increased selling facilities.

Here is one of the time-studies relieved of complex detail. The clerk selected for this observation was considered a good saleswoman and had been employed in the department for several years. She was unaware of the presence of the observer. The time selected for the observation was a busy afternoon when the counter was continually crowded with customers.

Number of customers served....................	14
Total time	120 minutes
Average time per customer............	8.5 minutes
Total sales	$5.76

A most significant time-study investigation covered a notion department where fortunately there was a strik-

ing opportunity for comparing the inefficient methods with relatively efficient operations in another store.

In a similarly busy period an observation was made at the other store. The results follow:

Number of customers served	26
Total time	120 minutes
Average time per customer	4.6 minutes
Total sales	$8.84

Thus in the more efficient store the total sales during the two hours were about fifty-three per cent more than in the rival store, while the number of customers waited upon was greater by more than eighty-five per cent. Working at the same rate, these two clerks would have shown during a day of nine hours, results as follows:

	First Clerk	Second Clerk
Number of customers waited on	63	117
Total of sales	$25.92	$39.78

For this disparity in selling efficiency, there was a clearly defined reason. It lay, first, in the equipment, and, secondly, in the instruction. The instruction, however, would have been largely unavailing without the equipment as a basis. Yet it must be remembered that even in the more efficient store no actual time-studies had ever been made. The betterments had not come from analytical observations of motion, but from general conclusions based on more or less accurate knowledge of motion. Time-studies in the more efficient store would reveal still further opportunities for betterment.

Progressive Retailers Will Take Advantage of These Improvements Resulting From Motion Studies

The stores of the future will be different from those of today in many radical respects. Some of the im-

provements which managers might install in planning a new merchandising building are summarized here:

(1) A closer relation between selling counters and stock room. Waste motion remedied by stock rooms on the selling floors and extension of selling space to portions of the higher floors, thus decreasing waste of time in replenishing stock.

(2) Mechanical carriers between the stock room and store sections.

(3) A heavy decrease in the quantity of stock on shelves and counters and an increase in the quantity in the stock rooms.

(4) Mechanical carriers between the store sections and shipping departments, eliminating collecting and trucking of merchandise.

(5) Re-arrangement of departments and different grouping of counters.

(6) Adjustable shelves and partitions so that compartments and conditions can be changed at will.

(7) Greater utilization of vertical store spaces with upper deck platforms in some departments and speeding up sales by clerk assistants.

(8) The bridging of some aisles to facilitate the passage of customers during congested periods.

(9) The construction of galleries on all selling floors to increase the selling space.

The majority of these improvements result from time and motion studies. These studies are just as valuable in the small shops as they are in the large department stores. All sales, whether in village or city, are made along a railroad we might call Sales-Effort. This road starts at Sales-Purpose; its terminus is Sales-Completion. Time-studies show the quickest and the safest running schedule between the two points.

It is best to make the motion studies during special sales or the holidays, when the salespeople are working at capacity. This has two advantages. First, faults which hide themselves under daily routine become glaring when salespeople and equipment are pushed to the greatest efforts. Second, the results of time studies made of employes working under pressure give maximum efficiency statistics which it would be difficult to estimate from figures secured under normal conditions. These maximum motion study figures must be reduced by a reasonable allowance before they are put into actual use. Otherwise, the salespeople will feel they are being unduly pushed.

Throw on the Light

KEEP your goods always before the public. Get in the glare of favorable publicity. Make known the merits of your stock.

Success comes by focusing the diverging rays of public opinion—centering the customer's choice on what you have to offer.

Make your ability, your commodity, your service known.

Every cent *saved* in shortened *value*, is *lost* in shortened *trade*. To keep up the sales—keep up the quality!

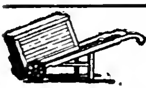
Aim first to sell *satisfaction;* and the goods that give it will re-sell themselves.

CHAPTER VIII

Storekeeping Short Cuts

EVERY dollar that a company saves on its cost of maintenance or production, represents interest for one year at six per cent on a capital of $16.66. Figured on this basis, it is obvious that any economy that eliminates a needless expenditure has a direct and important bearing upon the value of a business. A saving of even a dollar a day upon some apparently trifling detail may effect the theoretical value of the stock of a corporation over $6,000—a sum that is not to be lightly regarded by even a large concern. And the saving of a dollar a day is possible in offices, stores and factories of very moderate proportions indeed.

The methods by which these elusive "unnecessary" expenses may be located and stopped must, as a rule, be devised by those who are intimately familiar with the detail work where the economies are to be effected, and who are in a position to suggest ways for accomplishing the necessary work by shorter or more effective routes.



Re-arrangement of lighting and counter space are short cuts which saved one suburban retailer over six hundred dollars in eleven months.

It is seldom possible for an executive head to point out the specific methods by which these detailed expenses may be reduced unless he is thoroughly versed in the routine of the department, however competent he may be to analyze the work of the department as a whole and establish a standard of expense with which it must operate.

A grocer in upper Wisconsin employs two clerks, and when business is unusually brisk he turns in and helps with the selling end himself. Several months ago, he awoke to the fact that one of the clerks was selling a great deal more merchandise than the other, and more than he himself. At first he had no accurate records for comparison and only sensed that there was a difference in the way that Jim handled customers.

"The difference was especially noticeable," he said, "whenever there was a rush at the counters. I couldn't see that Jim was any quicker on his feet or any more deft at tying up parcels than Rob or I, but the impression grew on me every day that he really did wait on almost twice as many people as either of us. He seemed to have a peculiar knack of being able to sell the goods without wasting time in putting up a sales argument.

"I didn't allow any false sense of humility to keep me from investigating further. If my first sensing of the situation was correct, and Jim was actually selling more goods than we were, I wanted to know it and to find out why he was able to accomplish it.

"I had never kept tab on individual sales prior to this. My only record of the daily sales of the store was a

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Figure what percentage each clerk's salary is to his sales—wasted time cost one retailer five thousand dollars before he discovered his loss.

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total record. I had no way of finding out which clerk had sold the most goods or how much any one of us had sold. I decided to get this information at once to see if it would back up my opinion formed from observation.

"So I required each one of the boys to file his duplicates separately and record the total each day, and I did the same with mine. I kept this up for a month in order to get a fair average record and found that, true to my hunch, Jim was selling more goods than Rob and I put together. Of course I didn't pretend to help in the selling except on rush days, but even at this Jim had Rob bested by over fifty per cent.

"So I went to Jim. I didn't tell him that his sales were so far in the lead, but merely said that I found that he seemed to be able to take care of customers very rapidly and told him that I would be glad to know just how he did it. I evidently struck upon his pet subject, for he was all loaded for me and was able to tell me plainly and explicitly the secret of his quick sales."

"When I put the question to him, he smiled and said: 'You fellows do all your selling alone. I use an assistant. You have to take the time to convince a customer of the merits of the brand you sell her. Mine are already convinced. I make use of national advertising; you do not. That is all there is to it. I push goods that are already favorably known to the consumer and he takes 'em without argument or loss of time. Consequently my customer is served and satisfied and out of the store, and I am busy with another one, before you have got your prospect convinced that your brand is just as good.'

Regular customers are worth from $15 to $60 each a year to you—find out if any are being driven away from your store by failure as to stock or service

"I tried out the clerk's idea and found that he was right. I had some articles in stock that I made a little more money on than on the advertised brands, and so I had always tried to push them with the trade, as I believed they were just as good values for the money. But now I saw where I had made a serious mistake. To make an extra cent or two on a package I had actually been obliged to content myself with making fifty per cent less sales. I don't stock anything but well advertised brands any more, because it took me so much longer to make a sale when I had to convince customers (sometimes against their will) of the merits of the goods. Every can, package and bottle on my shelves bears a trade-mark now and none of us waste any more time doing a work that the national advertiser is willing to do for us."

Almost always there is a way to cut expense along some line that has escaped attention. For example, a furniture factory near the Ohio River had lost \$8,000 to \$14,000 a year for seven years. The owners, believing that loss lay partly in power, installed new boilers and then better machinery. Wages were cut and every outgo trimmed. Still the factory ran behind.

In despair, the owners hired a successful manager at \$10,000 a year, on condition that he make the plant pay. After a month spent in analyzing the situation, he concluded that the big expense lay in labor, much of which went to waste. Many piece-workers had been earning only \$1.25 a day, or less. The new manager fixed the reasonable minimum at \$2.50. He did this to increase

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Don't let gross sales enter into your stock-turn figures—simply divide your purchases at cost for the period by the average stock on hand during the period at cost.

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the efficiency of labor at least 100 per cent in order to establish an equilibrium between machine capacity and overhead expense on one side, and labor on the other. To accomplish this he established a bonus system, and discharged all workers who did not prove capable of responding to the increased demands. More than one-half of the workers were too old or too antagonistic, and new blood had to be instilled. For a time there was bitterness in the town toward the new manager. But there was no alternative except to close down the plant and throw all the employes out of work, and the men held their peace.

Another waste that he corrected was traced to incompetent cutting, which caused a heavy loss in raw material. Added to this, and closely allied to the labor loss, was a big waste stock of goods spoiled in machining. A whole building was found to be filled with this accumulated stock. Most of it was charged off and used for fuel.

In the paint shop, the manager discovered by tests that some of the men dripped a quart of varnish a day apiece. No comparative records had been kept to reveal this loss.

Failure to utilize waste material by turning it into by-products also made a considerable item. The second year after the change in managers, the plant earned $14,000 net; the fifth year showed a profit of $75,000.

Minimum results from labor is the tragedy that occurs in too many businesses. This sort of loss is the most insidious, for it does not show on the records unless a

Remember your expenses and net profits come out of your selling price and not out of the cost price. The selling price is 100%; cost equals 100% less your mark-up.

special gauge is devised. The futility of attempting to reduce expenses without a standardized table of costs, based on actual observations and tests, is illustrated by a retail mercantile house that had spasms of economy, but had never determined the proper percentage expense should bear to sales in each department. Thus one class of expense would be double what it should have been, while another was cut below normal, to the point of seriously affecting the efficiency of the entire house.

Department Costs are Necessary to Locate Wastes and Properly Place Responsibility

For instance, the same cut, ten per cent, was made in the sales department and in the stable. No comparative record was available to show what the barn expense ought to be, per horse, per wagon or per pound-mile of cartage. There was no way to check up on teamsters who spent hours in the saloon, or on the barn boss who obliged his friend, the cab-driver, with a hundred pounds of free oats.

The foreman of the packing-room had already instituted many economies, such as the use of paper cartons instead of boxes, and an original checking system, whereby one checker did the work formerly done by two. But his department was ordered to cut off a greater percentage than the shipping department, where a re-arrangement and different routing would have saved much expense had the head possessed the necessary initiative.

The sales department got the brunt of the cut, although the traveling men had been kept down to reason-

Watch for overweights and overmeasures—a quarter ounce overweight cuts profits many dollars a year. Within a year, overweights in lard cost a retailer seventy dollars.

able figures. The buyers were not molested, though they ran up extraordinary expense accounts, especially those who went abroad. There was no established percentage of buying expense. A certain department was showing good profits, so it was assumed by the head office that its high expense was all right. Another department, showing a small profit, was assessed twenty per cent. It was afterward shown that the ratio of the latter was already far too low, while that of the former was excessive, notwithstanding the profits.

This business had been established many years, and might easily have determined the legitimate ratios of costs of the various departments, so that no department need be punished for the faults of another. It is obviously difficult, if not impossible, to limit the expenses of a department without a knowledge of its legitimate expenses.

Checking Wasted Minutes among Salespeople Often Adds Dollars to Your Profits

One of the big items of expense, commonly unrecognized, is waste time. By changing the location of a stairway, a wholesale house saved four hours of salesmen's time a day, which in a decade would equal the time of one man for five years. But since the men in this establishment did not work by the hour, this estimate is approximate. The actual saving might have been much more. In the rush seasons, even the saving of a few minutes on each customer is important.

The re-routing of delivery wagons saved one house

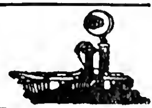
Duplicate sales slips enable you to push the stock which moves and check bad buying—the cause of poor stock-turns and dwindling net profits.

the expense of a wagon. The manager of a retail store placed a curtained mirror where it was most accessible to his women clerks, saving customers annoying waits while the girls arranged their hair. A candy manufacturer took advantage of the market and bought one hundred barrels of sugar for cash, but stipulated that deliveries be made in ten-barrel lots to save re-handling. All of these were little cuts in expenses. A hundred such items loom big in the aggregate.

A grocer, aroused by new competition next door, rearranged his stock so that goods called for most often might be most accessible. Formerly he had kept his canned goods on inconvenient shelves, requiring the frequent use of a stepladder. Now he put a supply of this stock sufficient to meet rush requirements on display tables; during slack hours his clerks replenished the tables. This plan, followed wherever possible, often saved several minutes on a customer, and prevented him from walking out and buying at the next store. In a busy establishment, the quick dispatch of customers means money.

A big lumber concern found that it had been losing thousands of dollars a year through waste of odds and ends. When an order for special sizes of lumber was filled, the sawed off ends were discarded and either burned or carted away by the employes. The superintendent discovered this waste and directed that all the odds and ends were to be stored away in special compartments with the sizes marked on them. Within a few months a big assortment of short sizes, some running as

Take maximum discounts on your bills; two per cent on a weekly stock-turn is one hundred and four per cent a year from discounts alone.



low as two feet in length, were held in stock. It was a surprise to the superintendent himself to find how many small orders could be filled from these short pieces.

A large toy novelty house estimated that its losses through breakage amounted to two thousand dollars a year. Some years this was increased half again or even doubled. The manager determined to make a systematic hunt for the cause. A good many of the articles were crushed in unpacking and displaying, and others were broken by the customers who handled them. An investigation showed that employes were deliberately careless in many instances, and some were suspected of breaking toys purposely. A new rule was adopted. Every packer who broke a toy or article had to make a record of it in a book, and a small bonus was offered each month for the one who did not have his name entered in the book. Broken toys were no longer given to the employes, but were sent away to a charitable society that could make use of them. An invariable rule was made that no customer be allowed to handle the mechanical toys, and only clerks were permitted to make demonstrations. Within a year the loss through broken articles was reduced one-third.

The waste of facilities for poor displays, dingy stores, insufficient light and heat, icy sidewalks, disloyalty of overworked and underpaid clerks, is all negative expense, but just as positive in results as if so much money had been thrown away. Some merchants cut out practically all other avoidable expense and leave this looming by itself.

Part III

REPLACING GUESSWORK WITH FACTS

Darrell Maxims

ASK YOURSELF "WHY" upon every detail in your storekeeping—every detail of your stock.

SAVING MOTIONS and minutes will enable you to handle a trebled business in your original store space.

BUY WHAT your customers would buy for themselves if they knew the wholesale market.

BEING CIVIL to the jobbers' salesmen enables you to stock at average prices.

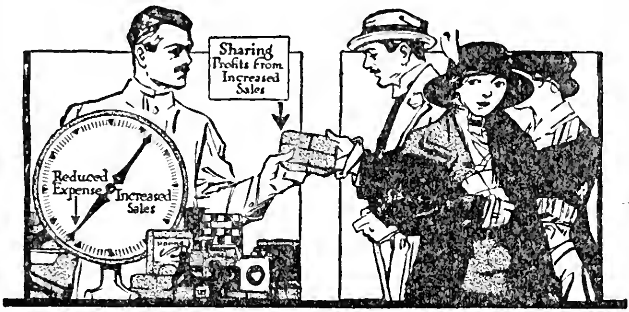
WHEN EMPLOYES can't see the reason for a new move, you must show them. Unless they believe in their proposition, they cannot sell it.

KEEP RECORDS to show you what goods are wearing out their welcome on your shelves.

YOU CAN make your monthly inventory serve two important uses; from it you can figure actual profits; from it you can determine what stock is moving and what merely tying up capital.

CHART YOUR SALES total for each department and you get a vivid picture of how seasonable demands affect sales.

HOW TO MAKE CURVES CHECK A SALES SLUMP



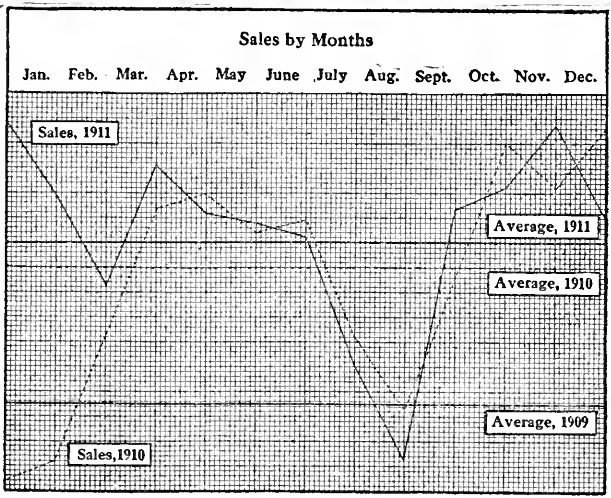


CHART XV: These graphs showed Darrell, a New England grocer, that he must expect sales slumps in the summer and make special efforts to attract trade. The small vertical squares represent the sales in dollars and ten of the small horizontal squares one month

CHAPTER IX

What a Branch Store Taught a Grocer

Darrell, a retail grocer in New England, here tells how he increased his annual sales from $37,000 to $127,000 and cut his average mark-up from about thirty-five to twenty-five per cent, with nearly a doubled net profit.

I HAVE been two kinds of storekeeper. For eleven years I was a guesser. My buying was by guess. My selling methods were guesses. I guessed at my cost of doing business—guessed at what my prices should be—guessed at my profits—and guessed where the money I should have made had gone. About each of these things, I knew almost as much, I believe, as the average grocer of my class. But my information was neither exact nor specific—the only kind of knowledge on which a sound business can be built.

He went over every detail of his store and analyzed it carefully.

Then I woke up. I began to ask myself why my store was standing still and what I needed to change in order to produce results. I adopted a "why" attitude towards every detail of my storekeeping and every article in my stock. I had read a lot about "modern meth-

ods" in retailing, but had failed to apply this reading to my business. Until, in the smoking compartment of a train, I talked for an hour with the buyer-manager of a western department store about merchandising.

He had blundered along for eleven years before it broke upon him that if he knew accurately what was going on in his own store, he could smile at the "cash market" on the next corner.

From him I got five ideas: first, to get rid of traditions and personal likings or prejudices in making decisions or purchases; second, to buy nothing you can't sell at a profit, either in money or advertising, and to judge every article bought from the customer's viewpoint of values; third, to turn your stock as often as possible; fourth, to give full and exact measure but no more at each sale; fifth, to know your costs and what makes them, and to cut them to the lowest point without sacrificing quality and service. He did not state these principles formally; I am only telling what I got out of his talk, then and later.

He said to himself, "This stock system is not right merely because I use it; this purchase method is not good because I do it; this equipment is not the best because I own it."

Coming back to my store, I tried to apply these ideas. My first effort was to size things up as would an outsider with a fresh point of view. I began with my customers. The store served an exclusive neighborhood—one of Boston's better suburbs. My people were intelligent and discriminating. They wanted the best meats and groceries in the market. They also wanted prices.

To offer them so-called bargains would be to offend them; they demanded

values, and the increasing cost of living had made them more critical than ever before. Many of them were buying staples, package goods, and other branded specialties at the city department stores and were giving me only the tag ends of their orders. To recover this part of my trade, it was plain that I would have to meet the department store inducements, and besides better serious local competition.

How he began to test, to find and correct his store faults without waiting for his customers to do it for him at the expense of his profits, is a day-by-day key to the problems of the retail merchant.

How to do this was the problem. Like the residents of most high class suburban towns, my customers and prospectives were receiving everything in the way of service and accommodation which they chose to ask. On request, a clerk called each morning to take their orders. Special deliveries of trifling purchases were common. Charge accounts were the rule—with payments at the convenience of the customer and an occasional loss as the result of this loose credit and collection system. To please their "regulars", salesmen frequently erred on the side of generosity in weighing or measuring goods. Baskets, boxes and containers of all kinds were given away. And so on.

Climb out of the rut. Get new ideas. Don't be prejudiced. In an hour this grocer got new ideas which brought him success after failure.

My store was no worse in these respects than the average grocery in a keenly competitive neighborhood. But all this service ran costs up to a level which made consumers restive and en-

couraged department store buying. At the same time, it was a question whether any reduction of service could be effected without an immediate loss of trade. I determined to find out. Expenses had been pared to the point where further savings looked impossible in any other direction.

Study your customers. See if they can get what they want at your store, both in prices and goods.

Price, service and volume of sales, then, were the factors in my problem and I began to study their effect on one another.

In the first place, what service was absolutely necessary to hold my customers, and what features would they dispense with in exchange for lower prices? Could I eliminate these "extras" and stimulate buying by paying consumers to get along without them or perform them for themselves? In buying from city stores, cash markets and peddlers, they showed such a tendency. Could this tendency be developed, through education and cash savings, into a fixed habit?

Enterprise will often regain trade which big department stores take away from the smaller retailer.

The margin between profit and loss in my main store was too narrow to risk disturbing conditions through radical experiments. I decided, therefore, to open up a small store in a neighboring locality and try out a number of new ideas.

Give a customer all possible service, but not at the cost of right selling prices.

This new store was started on the basis of offering the highest class of goods at

the lowest possible margin of profit. There was to be no delivery and all sales were to be for cash only. This branch was stocked from the main store and stock was checked in detail every week. Expenses were small and easily ascertained, while the outlay for fixtures and equipment was kept as low as possible. The features of cash sales and no deliveries were advertised as giving a great leverage in reducing the prevailing high prices. I made the most of the undoubted advantages to the customer inherent to cash buying and backed my arguments with concrete bargains. From the first, the branch store was a success.

Loss of trade usually follows service reduction. Study your trade carefully before making changes which will affect service. Learn how much your patrons will do for lower prices.

Certain other economies which I had in mind for the big store were tried out during this same period. One was a careful check on stock. I explained to my clerk how "good measure" wiped out honest profits. Then I started a system of charging every item received and made weekly inventories to check the stock on hand against stock received and sold. This process gave no infallible check, of course—more dependable methods were to be worked out later—but it helped to bring home to my two salesmen their responsibility in weighing and measuring. A monthly discrepancy was bound to occur, but the losses were kept down and the efficiency of the clerks increased because of their watchfulness.

Learn your customers' reasons for going to a competitor's store. See if they can be advantageously turned to win trade with you. Find the weak points in your "policy." Eliminating excess service will enable you to reduce selling costs.

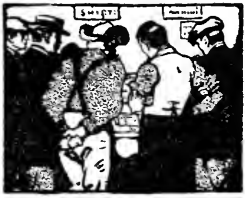
Overweights sap profits as surely as underweights do trade. Train your clerks in their responsibility for weights and measures.

It would be useless to analyze all the problems I tried to solve in that branch store during the next six months. The two examples just quoted will indicate my general direction. I was grouping towards certain vital facts. I wanted to know what lines were paying a profit; what that profit was; and what it cost to sell each line. My average mark-up had been about thirty-five per cent. On many branded articles the margin allowed me was less and it was important for me to know whether selling expenses on these specialties was greater or less than the discount. For the same reason, I needed information about my clerks; how much each man sold; what kind of goods he sold; and how much profit each man made for the store.

To fix prices judiciously you must know the cost of goods and the cost of selling them.

The basic lesson, of course, was that of selling for cash. Next in importance was the division of stock into lines or departments and the computing of selling cost and net profit on each line. Of methods of securing efficiency in clerks, of turning stock rapidly, of buying, store arrangement and the like, my experiments had taught me little directly applicable to the main store. But I sensed the importance of each of these matters; I had learned that the most complex problem could be solved if you simply took it to pieces and settled the details one by one.

Profit requires a fair mark-up. Think yourself bigger than any problem. The most complex problem taken to pieces and analyzed in detail is then no longer formidable.



CHAPTER X

Bringing a Store System up to Date

WITHIN a few months, I was ready to put the main store on a cash basis. Rather, I was so convinced of the advantages of selling for cash that I could not wait to try out any more detail methods at the branch. Besides, the big store needed a tonic to help it through the dull period then prevailing and selling for cash was the most surprising change in policy it was possible to adopt. I also decided to take all order clerks off their routes and to depend solely on the telephone and advertising cards for our business. At the last minute, however, my courage failed me as regards strictly cash sales. I decided that it was better not to burn all my bridges behind me and decided to keep a select list of customers (about one hundred and twenty-five) on a credit basis, with the distinct understand-

Success in increasing the sales of any retail business depends on keeping customers in touch with the store.

Use all the modern methods at your command. The telephone is an excellent salesman.

Have a definite plan in view regarding accounts and enforce it.

ing in each case, however, that the amount should be paid on or before the fifth of each month. Should any account be not paid at that time, the credit was to be discontinued without further notice.

When I announced this new plan, two weeks before it went into effect, there were many who prophesied disaster. Women would not be bothered paying cash for every purchase, my friends warned me. They were accustomed to write checks in settlement of their monthly bills and the keeping of ready money in the house constantly to meet grocery bills would strike them as absurd. And so on, at length. But I was satisfied that the high cost of living was working on my side and that the prices I offered would bring even women around to the cash-economy view.

Custom and precedent keep many in the old rut.

All my advertising insisted on the savings cash sales made for the consumer. Here, for example, is one of the little economy talks I put out at the head of an early advertising card:

Tell customers in your advertising the reasons back of your prices and store policies.

YOU, THE CONSUMER, ARE THE ONE WHO PAYS

The cost of doing business is borne by you. Mistakes in trading are charged up to the cost of doing business. Who pays it? YOU! The merchant who uses old-fashioned methods, who keeps an unnecessary number of expensive delivery teams

loafing at the back door half the time, who is continually standing petty losses from his credit accounts, whose slip-shod system allows some goods to go out without being charged, while other goods spoil or get shop worn in the stock room—that merchant *means* to give you *service*.

But is it service? ISN'T IT JUST UNNECESSARY EXPENSE WHICH HE PUTS ON YOUR BILL? Our modern methods—no, our common sense methods—eliminate this useless expense. It puts NEW FRESH MERCHANDISE in your house at the lowest possible cost, and you save the difference.

Telephone 700 Newton West and let us prove to you that our groceries are absolutely standard qualities, our meats, butter, eggs, and so on, the best the market produces, and our cash prices so much lower that you can figure many dollars in savings each week and month you buy from us.

Put it up to the consumer. Show buyers truthful and sensible reasons for something new and they are quick to help out.

That selling talk I backed up with price quotations which every intelligent woman knew were lower than she had been paying. As explained before, it was a season of lower wholesale prices on meats, fish and provisions, and my daily "leaders" gave consumers the full benefit of the market.

From the first day, the cash payment plan was successful. Sales increased tremendously. Likewise our troubles. In five weeks the system which sufficed at the branch store was completely demoralized. Six more clerks were en-

This retailer's experience emphasizes the necessity of exact knowledge in determining cash prices.

Correct retail prices depend on actual costs to the consumer. To fix them, figures on each line are needed.

gaged and we had no great difficulty in handling orders and delivering purchases. But the methods of checking sales and cash against stock, on which I was depending for lowered costs even more than on cash selling, broke down completely.

A cashier handled all the money; there was no dishonesty or willful error; but I couldn't get trustworthy information on what we were doing each day. And my cash prices, my whole scheme of business, were built on the command of facts and the checking of mistakes. My margin of profit was in danger. And every day I kept on guessing and sales continued to mount, the danger of final failure increased.

The system of determining business facts is best laid out by a specialist in retail accounting.

Quick action was imperative. I couldn't wait to figure out my own system for handling, checking and recording sales, and for keeping track of stock, C. O. D. deliveries and the individual efficiency on my clerks. Delay might wreck the business. It was up to me to buy a store system ready-made. So I called in a specialist in retail accounting, told him what I needed to know and gave him a free hand. He was competent, and in less than a month I was getting daily reports which kept me in touch with the important details of my business.

Here was safety, all right. But I had

begun to see the possibilities of a business built and managed on a basis of exact knowledge. I wanted more information. Instead of two or three broad divisions of sales in the meat market, for example, I determined to find out what profit was being made on each of the chief items—beef, lamb, poultry, smoked and dried meats, fish, butter, eggs, and milk and cream. My idea was to know what profit each of these paid every week; and whether any one of them made a loss. I conceived it possible to divert selling effect from these unprofitable lines to others, which, for the time, were money makers.

Human mistakes and weaknesses were eliminated by adopting the modern business tools.

Next, I departmentized the store, and because I was aware that the human equation was standing between me and certain profits which were going astray, I soon came to see automatic scales, cash registers and an adding machine as money-saving investments. Four late-type scales were installed, therefore, to regulate overweights and prevent mistakes in charging. Two cash registers gave us an iron-clad check on all transactions with customers.

Know what each line is adding to your profits. Then try to divert the selling to the more profitable lines.

The adding machine was a price I paid cheerfully for the division of my daily sales by departments an hour after the last customer had been served. It also gave me a check on the totals shown by each cash register.

Not to remove temptations from employes is to be as guilty as they.

A daily detailed report gives a check on systems and plans enabling their continuation or cessation with the knowledge that you are right.

This daily detailed report, in fact, was the pulse of the business, and was carefully studied. Any unusual increase or falling off in a department was shown up the day it happened. Usually the change could be traced to some specific cause. If favorable, this meant the confirmation of some buying, selling or advertising policy or device, the discovery of a new slant in public taste or a new means of interesting buyers. When a decrease occurred, the information was quite as valuable, since it showed up some inefficiency and marked stock which should be moved at once.

Cash sales were the foundation of my new plan and my new prosperity. But cash sales had their drawbacks. It was inconvenient for women whose households were organized on a basis of monthly bills, to keep cash for daily grocery bills. I had waived our cash rule for more than a hundred of our regular customers. To keep from adding to this credit list, some plan had to be devised for removing that daily worry about money for the grocer.

Correct solutions for new problems form the spotlight of business. They show up your ability and judgment.

For those who found cash purchases difficult, therefore, I adopted a credit deposit plan. At intervals they would send me a check and draw against this deposit with each order. Before it was exhausted we notified them and they renewed it.

CHAPTER XI

Fitting Sales Methods to the Customer

TO modify my program of cash sales and hold two classes of customers, the first group was made up of the cream of my charge accounts. The second group was allowed to make a deposit, once a month or oftener, and order groceries against this deposit. This made the store a sort of grocery bank; each order was in effect a check which was honored in foodstuffs.

Customers can be divided into several classes. Are you sure your policies are paying? Question every detail until you have exact knowledge.

When a business man learns, by concrete experience, that one or two of his main policies have been out of step with facts, he is apt to question every detail, plan and method he has been using. That at least was the way with me. I had disregarded eleven years' experience and much disinterested advice when I pitched credit selling overboard. Yet my customers were paying cash for purchases and, instead of losing volume,

Finding and correcting waste and lost motion may reveal many mistakes you did not know existed.

sales were increasing day by day.

To the introduction of automatic scales and cash registers, my clerks had been hostile and my trade indifferent. Both, however, had swung round to appreciation of the savings made and the insurance against mistakes. My new advertising plan had proved both cheap and efficient. Every change had been for the better; it was natural, perhaps, that in some of my subsequent experiments, I should move too fast.

Delivery problems here were largely a matter of following precedence. Motor trucks seemed to offer a solution, and were adopted.

Service was the store bug-bear. Net profits had not kept pace with volume: chiefly because cut prices (the key of the whole program) had eaten up the savings made, and expenses had maintained a certain proportion to sales. To take care of the new business, six clerks had been added and our delivery wagons were hard pushed to handle orders on time. I was certain that there was a tremendous amount of lost motion and waste effort in this end of the business, and I decided to find and correct the causes. After many months I was still finding and correcting them. What follows here is a summary of the changes in methods, arrangement and equipment (some of them were not final), rather than a narrative of how the betterments were made.

The extent to which customers would deny themselves now became the question in reducing delivery costs.

My first big operating change, for instance, might have been avoided and an

investment of nearly $3,500 cut out, had I known six months earlier, real facts about deliveries and the education of customers. The delivery department was the first investigated simply because it was so costly and yet hardly able to meet service demands.

This retailer would have saved $3,500 on one investment, if he had only secured sales facts earlier.

Nine-tenths of the work had to be done in about five hours, and my five wagons and nine horses were all hard driven. When Mrs. Scott Blank, fourteen blocks from the store, forgot her luncheon order until eleven-thirty, nothing but an emergency delivery would satisfy her and temper the family's hunger. These rush trips were numerous and speed was the first requisite. So essential in fact that I began to study motor trucks, and after several demonstrations decided to replace my wagons with gasoline delivery cars.

I bought two high-grade, used touring cars, fitted them with 1,000 pound bodies, and, after training two drivers, gave up wagon deliveries altogether. Each motor would do the work of three wagons and in emergencies quite outclass horses. Later I added another and a slower truck of 1,500 pounds capacity for hauling butter, eggs and produce from our Boston markets and picking up "wanted" orders at the wholesale houses. This car was also available during the rush hours.

What you thought was right yesterday, may be eating up your profits today.

Motor trucks cut delivery costs and advertised the store, yet were dispensed with later on account of expense.

Our motors saved money from the first. They displaced four drivers, who made from $13 to $15 a week, and their maintenance cost never equalled that of the nine horses and five wagons I had been using. They had distinct advertising value and helped, I think, to establish the standing of the store with many of the new customers we gained during the autumn and winter. Yet they, too, were discarded in their turn, and gave way to the wagons which had formerly been used.

Why? Simply because I took another step forward in the standardizing of deliveries. After noting the daily mileage of our motors for a couple of months, it struck me that the distances traveled were absurdly high for the small area covered. Five-sixths of our customers lived within a mile of the store, yet the records showed that the cars frequently made fifty to fifty-five miles each day.

Innovations can only gradually be introduced, and diplomacy must be used.

How much of this was service that could be dispensed with? At the branch store, I had added a delivery on three half days per week for orders of $2.00 or over. Customers were getting along with this restricted service without any apparent difficulty. Could we adapt this idea of scheduled deliveries to the more exacting patrons of the main store? I determined to try. And as usual, I employed our weekly advertising card to

"sell" the new plan to customers. Few of these cards had gone out during the year without a little "selling talk" of some sort at the head of one page and people had grown accustomed to reading and sometimes acting on them. Four routes were described and a time schedule for each given.

Customers' names on each route card — a strong personal appeal — aided in getting the plan thoroughly understood.

A week before the change, with the regular weekly sales card, each customer and prospect received a "Route Schedule" card to hang up near her telephone. It bore our telephone number, of course, but the important feature was the list of our closing hours for each route. The personal application was brought home by writing her name in the blank space opposite her route, which was further distinguished by a heavy cross.

To induce customers to co-operate in cutting down service is not an easy task. We had many "regulars" whom we couldn't afford to offend: these we had to "break in" gradually to the new order of things and we continued to make special deliveries whenever such were necessary. The emergency speed of the motor cars took care of this phase of delivery, but I was after the savings of a standardized service and we kept up the work of educating customers to the habit of ordering on time.

Once fixed, the change was readily adopted. Aiding those habitually late to order on time eliminated hard feelings and insured the orders.

From many of our patrons we had

Still enabled to deal with her favorite clerk by telephone, the women accepted the new idea and really got better service.

been taking telephone orders for some time, calling them at a fixed hour and so saving them telephone tolls. It was a natural step now to add to this calling list the women who could not be depended upon to get their lists in promptly.

To expedite the taking of orders, I put in the simplest form of private telephone exchange, one that the cashier could operate without interference with her regular duties, and persuaded my three former "route" men to sell "personal service" over the 'phone to their clients. The advantages were real: the customer would continue to deal with her favorite clerk; she could trust him as much one way as the other, while by taking and filling her order early in the morning before fruits, vegetables, and so on were "picked over" by cross-counter buyers, he could give her much better values than were available later. These arguments carried weight. We lost only a few patrons by the change while the reduction in expense was radical.

By holding nothing too certain to admit of doubt, this retailer found motor delivery too expensive.

By the time my scheduled delivery plan was working satisfactorily, I had made another discovery. It was that there was too little work to keep my motor cars busy. The cost of up-keep and maintenance had been reduced, but I had progressed to the stage where no method was too sacred to be investigated.

One of our new motor drivers was inefficient. While his car went into the shop for repairs, I tried making deliveries on his routes by wagon. Under the fixed schedules, I found that a horse and wagon could do all that was demanded. My cost sheet showed that each motor was much more expensive to maintain than a horse and wagon.

Fifty miles a day and five-sixths of the customers within a mile of the store. That's why motors were taken off.

Before changing back, however, I made a full month's test, running a motor on one pair of routes, a wagon on the other. I also tried to make all deliveries with one motor. But because of the relatively short hauls and the hundreds of stops the horses did the work more cheaply. The figures were conclusive: though it involved what some advisers looked on as a backward step, I returned to wagon deliveries. The consoling fact to me was that, through my experimenting, I had discovered a way to make my deliveries with two wagons and three horses where before five wagons and nine horses had been necessary.

Three horses and two wagons supplanted the motors, whereas nine horses and five wagons were used at first. This shows the result of actual investigation.

Once a man lays hold of the fact that yesterday's right way may be losing some of to-day's profits, he is likely to carry his weighing and testing into every department of his business. Each betterment also provides a sort of footrule to measure up the deficient methods with which it is surrounded. Our automatic scales, for instance, our cash regis-

ters and adding machines, by their swift, error-proof operations made the awkward, round-about routine of filling and handling orders in the store stand out "like a sore thumb."

The solution of one problem uncovered another. One defect often covers several, while only the visible one is known.

Our sales had doubled at the end of the ninth month, but with six extra clerks we were hindering one another at every turn. Either we had to secure more room or make better use of what we had. But the two storerooms could not be enlarged without costly structural changes. Therefore, the second expedient was our choice.

Re-arrangement of departments and careful selection of display stocks was the first step taken. Practically the grocery store was turned into a big sample room; we sold the samples and replenished the stock on shelves and in cases after the day's selling was done. This allowed us to display stock attractively, without crowding, and insured a constant display of fresh goods. I do not mean that we showed only two or three bottles of this, half a dozen cans of that; but simply that we struck a balance between space, stock accessibility and effective display and restored this balance daily.

Carrying stocks in the most convenient place for filling deliveries allowed attractive displays.

Our stock of staples, for example, was carried almost entirely in the shipping room. We displayed a sample lot of stock of everything we sold where the

customer could see and handle it. When we ran anything as a "leader" for the day, we usually piled up an impressive quantity in the place reserved for display of leaders. But when a woman ordered five pounds of sugar or a quarter's worth of beans, either in the store or by telephone, the stuff was weighed out on the spot only when she wanted to take it away with her. When the order was to be delivered, the clerk simply put down all the items, with the prices and totals and gave her a cash register check showing the amount and character of the sale. If it was a cash transaction, she paid at the desk as she went out.

Having various quantities of package goods wrapped and ready for use saves time and finds work for idle hands in slack hours.

In filling the order, this plan increased the efficiency of the most valuable space and time by unloading work on space and time worth less than one-third as much. The clerk, for instance, in making up an order ran through it to see how many items could be filled from the ready-wrapped packages in stock in the shipping room.

Steps saved on orders cut the expense and swelled the profits.

Orders for staples, in the main, ran to standard quantities—five or ten pounds of sugar, a quarter's worth of rice, one or two pounds of coffee or a quarter-pound of tea. Weighing and wrapping these quantities during the early morning or the afternoon before, they can be piled up on shelves in the shipping room for instant use during the rush

You owe as much to your clerks as to your customers. Without judicious arrangement of goods and modern equipment, they can't be efficient.

Ten per cent chopped off prices for the benefit of customers. Yet the store made greater profits and gained a stability unknown before.

hours when every minute is needed for serving customers. Knowing what is in this package stock, the clerk who fills an order simply selects or measures the articles not on the shipping room shelves, assembles them, checks these items on the order, puts the carbon duplicate with the goods and sends the first copy to the shipping room to be completed from the package stock kept there for just this purpose.

Twenty steps, on the average, were saved on each order. Allowing for the time previously lost by clerks waiting their turn at scales, sugar barrels, and so on, at least two minutes were saved on every sale. The steps and the minutes saved made for space efficiency and allowed us to handle, without any great difficulty, a doubled, and a trebled business in the original store space.

The right merchandise, at the right time and in the right quantity, is a good rule for the retailer.

The largest saving on the cost sheet, however, came through the increased efficiency of clerks. Before re-organization, the store was selling about $37,000 annually with nine employees. At the height of our congestion in all departments, with sales about double, the pay roll carried twenty-four. For the greater part of last year, when total sales amounted to $127,000 the work was done by eleven men in the store and on delivery wagons and two girls.

CHAPTER XII

Buying to Suit the Trade

WHEN a retail grocer "turns" his stock twenty times a year, it means simply that he has been buying what his customers want, in the quantities they need, and at prices they are willing to pay.

Buy judiciously, study your patrons and anticipate their desires. Many "turns" a year depend entirely upon this.

To strike this balance between stock and the consuming needs of his trade, he must know three things:

(1) What will appeal to the appetite and satisfy the quality and value standards of his customers.

(2) What offerings in the current wholesale markets—meats, staple groceries, produce, fruits, fish, delicacies—will match up with these consumer requirements.

It is no more than good business to represent your customers in the wholesale stores and to buy in market as they probably would individually.

(3) What quantities of seasoned foodstuffs his trade can and will make immediate use of at attractive prices.

In some degree every grocer gathers and makes use of this kind of informa-

Did you ever have stock on hand which you couldn't get rid of? Here's a retailer's practical suggestions for selling slow stock.

tion in his purchasing. He need not be a wizard to install a stockkeeping system that brings to his attention any item which is wearing out its welcome on his shelves, will warn him against reordering it and will suggest a cut price or some other means of selling it. With a little patience and industry, he can keep weekly records of sales in the principal lines he handles, and so have trustworthy figures on which to base his quantity estimates for the next week and for corresponding weeks in succeeding years. If he is civil to the jobber's salesmen who call on him and fairly sound in judgment, he can stock his goods at the average market prices, and thus be prepared to do business on the average margin and take an average profit.

Unless you look ahead of your competitors, you will always be a laggard.

All this, however, is only the defensive side of buying. If he is going to sell every week half as much as his store contains (and it is bound to contain a great bulk of staple foodstuffs which he must buy in large quantities in order to secure a price) he must do more than trail his customers likes and dislikes. He must anticipate both and frame his orders accordingly.

Be the purchasing agent for your community. Catching the "snaps" of the wholesale houses is easy. Don't guess on the market, or you'll lose.

When he buys, he must size up the market from the customer's viewpoint. For the time, if he is going to make the most of his business, he must forget that

he is a grocer and become a sort of purchasing agent for his community. Hardly a day passes that the grocer in touch with a big wholesale market is not offered a real buying opportunity, if he has the wit and knowledge to recognize it.

Create your own "snaps" if none are offered by the market. But it is unsafe to guess. You should study the wholesale market for sags.

It may be a "snap"—a carload of standard canned goods, or potatoes, apples, flour, on which some jobber is willing to sacrifice his profit. Or it may be a distinct lowering of prices in certain classes of foods as compared with other staple lines. Decision is easy in the case of the "snap." But when it comes to sizing up a sagging market on a staple and deciding how many extra bushels or hundred-weight your customers will absorb at the lower price, the man who merely guesses will go wrong often enough to cancel the profit netted when his guesses prove up right.

Here's how a retailer placed thirty-five extra barrels of flour among his trade during a dull period. Try it out. The plan entails the use of clerks during a slack period.

In other words, the business men—grocer, dry goods man, hardware dealer or druggist—must be able to create his "own" snaps, instead of depending on the emergencies of the wholesale or commission house to provide them for him.

Flour, for example, is not the sort of staple that suburban housewives buy often in the wood. They order bakery goods, bread, cakes, rolls and the like, and their purchases of flour, in the main, are of small quantities and of special

kinds —cake flour for instance. Yet in twenty-four hours last spring, I placed no less than thirty-five barrels of flour in the district covered by my main and branch stores. It was a standard Minnesota brand, the kind and quality I sell and advertise to my regular trade. It was very cheap, however, by comparison with what my customers had been paying for their flour in twenty-five and fifty-pound sacks.

A quick "turn," a substantial profit and a low price that advertises the store are the entire profits of the deal.

We were having a dull week, the aftermath of a holiday rush, and I could release three or four of my clerks for soliciting without sacrificing store service. My men couldn't see why any of our regular customers would want so large a quantity as a barrel of flour. It was my task, therefore, to tell them the price advantages of such a large purchase before they started out. I did it by comparing the package price with that they would be able to offer our customers for flour in the wood. From my records, I showed them that any number of families in town were buying the equivalent of a barrel of flour every three or four or six months. I explained to them the low ebb in the store's sales and put it up to them to bring in the orders.

Knowing his customer's consuming capacity for three, six or twelve months, by the sales record, made this "turn" possible on business principles.

I had bought only twenty barrels of flour. In a little less than one full working day, between four o'clock one afternoon and three the next, they disposed

of thirty-five barrels. The business was, you might say, "pure velvet." The flour never entered our stock room, but was delivered direct from the car in which it came out. The combination of a low wholesale price, minimum handling charges and no overhead whatever, allowed me to quote an attractive low price and yet make a very substantial profit on the "turn."

The stock combination mutually attractive to dealer and customer is a low wholesale price, minimum handling charges and no overhead whatever.

This special sale illustrates what I mean by buying on the strength of accurate knowledge of my territory's consuming capacity. I could figure out the total of my flour sales in quantities for three, six or twelve months of the preceding year. I knew the temper of the housewives I aimed at, their fixed determination to reduce the cost of living and their natural eagerness to secure a bargain in a staple like flour. Simple mathematics did the rest. I played safe by buying only twenty barrels. The price that I could quote was so attractive that nearly twice as many women saw my offer in the same light as I saw it myself.

Do you fix your price on stock entirely from cost? Then you're losing money. This retailer found it consistent to follow the wholesale market.

Keeping in daily touch with the wholesale markets helps me to keep my retail prices right as well as to buy when wholesale prices are low. On beef, for instance, there was an exceptionally high range of prices for a year. In the old days it was my method—and I expect it is the method of a good many

Acceptable qualities and the best values win trade. Buying governs them. By purchasing as if especially for individuals of his trade, this merchant won patronage.

grocers and market men—to raise retail prices when the cheaper stock in the ice box began to be exhausted and the higher-priced quarters were brought out on the cutting blocks. Those intervals might be a week or even longer. The consumer, of course, profited by the delay but usually took no notice of his savings. When, however, beef sought a lower price level, my customers were never willing to let me clear my high-priced meat out of the "cooler" before they demanded a reduction. Like many other dealers, I was trailing the market and losing on every price advance because I didn't raise and lower prices with the wholesale market.

Unless you are able to follow them closely, downward shifts in wholesale price levels may catch you unawares and force you to move stock at a loss.

By keeping in touch with the market, however, any rise or reduction in price comes to my attention at once, and except where I have advertised a "special" for which the stock is bought, the proper advance or reduction is made. I can also compare the value level of all the competing foods on the market, and so shape my buying and selling program for the next day in order to take advantage of every change in the wholesale prices and buy with the purpose of supplying just those meats or eggs or fish which my customers, if they knew the wholesale market, would buy themselves. This, of course, is merely good business; the retailer who offers accept-

able qualities and the best values is bound to get the bulk of the business.

A doctor, a hospital and a chart gave this retailer a valuable idea.

The daily report on which I rely for the sales of my business was the result of a visit to a hospital. While I was waiting in an ante-room, I noticed one of the doctors studying every detail of a chart handed to him by a nurse. A few questions brought out the fact that its use enabled him to prescribe intelligently, since he had a picture of the actual conditions and tendencies before him on the chart.

Treat your patient, which is business, according to the chart of your sales, which should give complete "symptoms" and statistics.

Thereafter, that chart bothered me for several days. Why not adopt the idea myself, treating my business as a patient and prescribing from day to day on a basis of real information and detail figures? The outcome was the daily report sheet, which certainly gives me the vital statistics and symptoms of each department. Comparison with previous years enables me to make a pretty close estimate of what my purchases should be in each department, of the price I can pay, and the quantities my customers are likely to absorb at prices based on these delivered costs.

Inventories check careless measuring by clerks. A suitable interval between inventories is usually a month.

Soon after I started the branch store I began to take a weekly inventory in order to check the stock on hand against that received and sold. For the branch this was not difficult, but when I attempted to apply the same method to

the main store I soon found that the result did not repay the extra effort. By convincing my clerks that I was in earnest in my demand for accurate measure and no more, however, this weekly check on stock had been so successful that I disliked to give it up. The result was a compromise; a monthly inventory was begun.

A monthly inventory gave an exact check on stock. The discrepancies were small because every clerk had been trained in giving full, but not extra, measure.

Compared with the old method of taking inventory at the end of the year, this seemed like a big doubling up of work. But I had set out to know what my business was doing, and to know it accurately and intimately. So while the expense of taking the inventory was an addition to my running costs, yet I felt that the information was worth the extra effort and outlay. Experience soon showed that the variations on the month's business were very little greater than the average of the discrepancies in stock bought and sold at the branch store, as shown by the weekly inventory there. By this time, too — it was now nearly three years since I stopped guessing—my clerks had become trained to the tale of full weight but no extra measure. Accuracy has become almost second nature. The inventory is simply insurance against lapsing back into the old habits with their attendant losses and leaks.

Special sales cut profits, but if investigated give valuable information about slow moving stock. They check against blunders in the future.

When I find from the inventory that

an article is not moving as it should, it is an easy matter to run a "special sale" on it and to profit by the knowledge that it is a "sticker," after the stock has been reduced to the proper figure. Thus the inventory acts both as a safety signal against over-stocking, and an accurate guide in buying. It measures qualities, quantities and the salability of every item in stock. In all cases the records show what lines to push, and what is more vital, what lines to drop or carry in minimum quantities.

A duplicate sales slip which also gives a check on the receiving clerk and the clerks who fill the order was used by this retailer with success.

Whether an order is received over the 'phone or given in person by the customer, it is filled out on the same blank. This is similar to the duplicate sale slips in use in most groceries, except for the fact that it has a space at the top for the number of the person taking the order, and at the bottom for the number of the driver delivering it. This is simply another check to secure personal responsibility.

Cash selling and economical, efficient store service brought success to Darrell after he "found out." He got out of the rut by studying the details of his business.

In the filling of the orders, too, the same principle is followed. If clerk No. 4 fills out part of an order, he places his number in the first column opposite these items. Besides making possible a direct check-back in case of error, this permits more than one clerk to work on rush orders, yet prevents both working on the same items. When delivery is made across counter to a customer, a

check mark indicates the number of the clerk who handled the sale.

Not being afraid to know your failures, that you may remedy them, is good retailing.

It took practically three years to cast aside my old "rule-of-thumb" methods and begin doing business on a basis of accurate knowledge. My general policy and many of my experiences and experiments have been outlined here at greater length, perhaps, than they deserve. The big lessons of these experiences have been the importance of selling for cash and the advantage of providing as economical yet intelligent a store service as the demands of my customers would allow. Both have meant the development of better and more systematic business methods.

Constant watching prevents returning to old ruts, the most dangerous thing to the security of successful business.

The process of evolution from the old to the new still continues. I never let myself be absolutely satisfied with any method until I have assured myself that it is sound by careful tests. There is too much danger of falling back into the old rut of guessing, for me not to beware of the easy way. But the fact that time has proved the wisdom of my original changes, adds a feeling of confidence in my efforts at analysis and the decisions based upon them. Having met similar problems in the past, I can go at the new ones with more assurance and with a better idea of how to get the information I need and how to analyze the facts when I do secure them.

Part IV

MANAGING STOCKS AND EMPLOYES

Advertise to Your Men

LESS than three per cent of all retail salesmen are skilled at this trade. The other ninety-seven per cent are working along in the dark—faithfully perhaps, but ignorantly, thoughtlessly, *blindly*. They may see their wage and your clock; but their work, their chance, your need, are beyond their view.

Only when you supervise your salespeople as you are supervising your stocks—with tact, with resource, with judgment—will you have an efficient selling force, working *open-eyed* towards the success of your business.

Efficiency can be made; skill can be instilled; loyalty and interest can be aroused. You can train and fit your men to their places—but you must share with them your enthusiasm, your knowledge, your loyalty.

Responsibility sobers men. Opportunity stirs ambition. Demand for men shapes supply.

Get your men to thinking. Advertise your business to them. Tell them your needs and their chances. Make them look ahead.

Build your men and they will build your business.

TESTING FOR ERRORS IN STORE MANAGEMENT

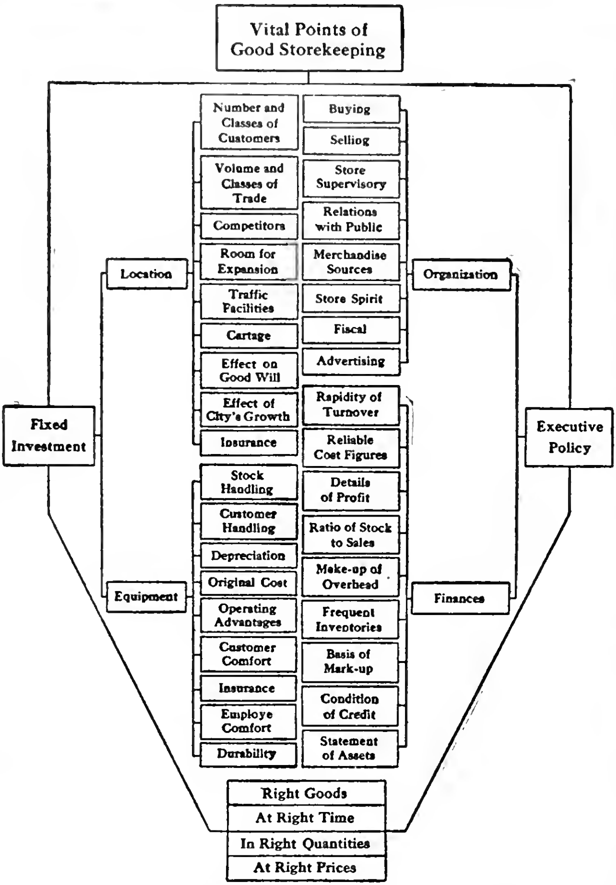


CHART XVI: Your success as a retailer depends on carefully analyzing these factors that determine good retail management. Analysis is foresight, and foresight gets ahead of difficulties. Check up your business against this analysis of right merchandising policies

CHAPTER XIII

Storekeeping Blunders to Avoid

"TAKE a $200 mark-down on that gold bag; reduce this bracelet $20." In the half darkness which follows the closing hour on short winter days, the head of one of the largest specialty stores in this country walked by the counters of his jewelry department and directed new price levels that fell below cost. A knot of assistant merchandise managers and buyers, following him by a few steps, noted with consternation the very radical reductions ordered by the head of the house.

"This jewelry department is thousands of dollars over-bought," the merchant continued at the last counter. "It is a small retail store which has been mismanaged. The crudest of store-keeping blunders have been made. Only the fact that it happens to be under our roof keeps it solvent. Around the corner Jeweler Smith would miserably fail with it.

"On looking at things closely, I find that the initial mark-up is small for jewelry. Since the stock-turn is low with jewelry, we must cover some of the interest on the capital tied up here through an initial mark-up which is more liberal than usual. Some novelty lines we can mark up one hundred per cent or more. The

general run should not fall below fifty per cent.

"The sales force is taking nearly twenty per cent of the sales, which is far too high. We must locate the best salespeople and speed them up until their wages are under seven per cent of their individual sales. Then the slower sellers should be weeded out until the direct department monthly pay roll for salespeople is seven or eight per cent of the jewelry sales for an average month.

"The turnover will not be over one or two—far below what we must have. Jewelry turns slowly, and a good deal of staple stock must be carried the year round. But here in the store we should carry only enough staple stock to give 'tone,' and must feature instead popular priced, quick turning, specials. In this way, we can drive the turnover up to five or six times a year.

"I shall also stop all orders—no more stock is to come into the department until it is in a normal condition. Above all, in the future estimates of jewelry sales are to be carefully analyzed. By this analysis you will find that a fairly constant percentage of the year's jewelry sales fall in each month. For instance, June with its weddings will carry a high percentage of the annual sales. So will December, the gift month. Once you have these averages, fix on a conservative volume for a year ahead and take out the percentages of the months that face you. Subtract these estimated sales from your stock on hand. Then buy according to the result.

"Now I've read you fellows quite a lecture," laughed the merchant. "What I have said are merely the elements of good retailing. This store is just a collection of small stores under one roof and you must take into account all the points which the small-town jeweler would have to manage for himself."

This retailer has four thousand people on his pay roll.

He has gathered over a hundred little stores into his big corporation. Still he says his problems and blunders are those of the smaller retailer. Furthermore, he adds that his experience in selling not far from a million

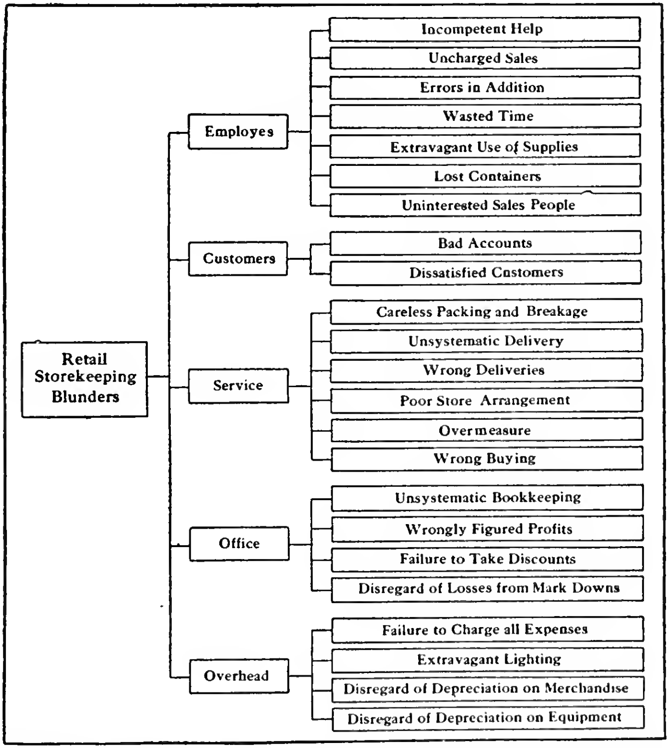


CHART XVII: The storekeeping blunders shown here can be given a definite value, if you will analyze your practice under these headings. A properly classified expense sheet will warn you of many of these errors

dollars of his stock a month shows that these blunders can be avoided, and tells you how.

The buyer for this jewelry department, it later de-

veloped, was in a situation exactly like that of the country merchant who finally woke up and found that he had been too busy to make money—three-fourths of his work could be done by a five-dollar-a-week boy. The buyer had spent his days working out price ciphers and persuading manufacturers to create branded lines for his department. Instead, he should have estimated with care his probable sales, made sure that his expenses were reasonable and planned for a profit-making stock-turn. Both the city buyer and the country retailer had been lashed to detail and had never really disentangled themselves enough to lead their business.

Quick and Profit-Bringing Stock Turns Are Usually Impossible without Modern Stock Records

Dead stock is a difficulty also not peculiar to city stores. A Southerner had a few thousand dollars he wished to keep busy. He started a retail store and put a man in charge to "keep shop."

A year or so later a chance to sell out came, even though the store had not been making a great deal. The purchasers wanted an inventory taken. The man who had been "keeping shop" for the Southerner "guessed there was some ten thousand dollars' worth of stock on hand."

The actual inventory, the first in the history of the store, showed a stock on hand worth over seventeen thousand dollars. Seven thousand dollars had been buried on the shelves—just as thoroughly as if at the bottom of a well. Modern stock methods would have made the neglect of these goods impossible for more than a few months. Quick turnovers are only possible to retailers who know by stockkeeping methods accurately the amount of goods normally demanded by their trade.

Analytic stock records not only automatically check stock and watch the mark-up, but usually also uncover valuable information regarding the best selling full lines. If cards are ruled for each line of goods and every price within the full lines, a girl can keep on them stock records which analyze the best selling lines. The cards should separate the lines into departments and show daily receipts and sales of stock. The retailer who by this economical system can place his finger on his best selling line knows how to display and renew stock to the best advantage.

The credit man for a wholesale house stepped into the shop of a small Western retailer, under orders to investigate the little store's stock. He found goods on the shelves which his house no longer handled. The merchant was evidently at sea regarding his best selling lines.

"I'll bet you half your store that fifty per cent of your sales and seventy-five per cent of your profits are on items marked at fifty cents or under," the credit man finally said.

He spoke from experience with hundreds of small retail stocks.

"You're wrong," replied the merchant, "fifty cent lines can't give half my volume. My big trade is in suits."

The wholesale man took three days to investigate. He sorted the sales for a month by prices and in the end convinced the retailer that about forty per cent of them were around half a dollar each. He next showed that with proper buying these sales alone could yield more than three-fourths of the store's profit.

The merchant took the information to heart. He installed duplicate sales slips as a check on the lines which

gave quick stock turns. He remodeled his store on a basis of small departments and specialized on these low priced lines with rapid profits. Working out the profits on individual lines enabled him to shift the departments which were losing money to more favorable locations in the store, or discontinue them if necessary. He could also advertise departments with direct consideration of the possible profit in mind. At last he knew his business. Today he reckons a month's gross profit in figures which formerly would have seemed a satisfactory yearly record.

Your Net Profit and Expenses Are Percentages of the Selling Price and Not of the Cost

An investigator with a liking for statistics has stated that seventy-five per cent of the retailers in America figure their profits inaccurately. Many of them mark up by taking a percentage of their cost equal to the desired gross profit, instead of working back from a selling price.

A young accountant ran into this snag. He bought a half interest in a Pennsylvania retail store which showed, satisfactory profits on paper. But when he went over costs and mark-ups with his partner, he discovered that most of the profits were imaginary.

His training enabled him to trace down the difficulty. He found that the dangerous trouble lay in his partner's system of estimating the cost of doing business as a certain percentage of the gross and then adding this percentage to the cost price when figuring for the selling basis on individual lines. The minute the new member of the firm used the desired selling figures as a starting point in marking, the business showed healthy profits.

The young man accountant *correctly* secured his gross profit (expenses were twenty per cent and the net ten per cent) on an item costing ten dollars, including

freight and cartage, by assuming the selling price to be one hundred per cent and working it out as follows:

Selling price, always taken as................		100%
Cost to do business.....................	20%	
Net profit desired......................	10%	30%
Cost, $10		70%
Cost in percentage.........................		.70

Dividing cost in money, $10, by its percentage, .70, gave him the correct selling price: $14.28.

The partner would have *incorrectly* marked the same article at $13.00, or $1.28 below the gross profit he desired, after making this calculation:

20% of $10 for cost to do business............	$ 2.00
10% of $10 for net	1.00
Gross profit	$ 3.00
Cost	10.00
Selling price	$13.00

He figured his thirty per cent gross profit on the cost price, instead of on his desired selling price. But the cost was only seventy per cent of the selling price, which must always be taken as one hundred per cent. Thirty per cent of seventy per cent gives twenty-one per cent, which is therefore the gross profit he actually secured. But he thought he was getting thirty per cent. Seventy per cent, his cost, plus twenty-one per cent, his actual gross profit, is ninety-one per cent, which is the percentage of the desired selling he marked his goods by. He therefore lost nine per cent on every dollar's worth he sold.

CHAPTER XIV

Winning Over Your Sales Force

ONE winter morning, eight hundred telegrams were dispatched to as many store managers throughout the country. They read: *"Did you say thank-you to every man who bought a cigar today?"* and they were signed by the president of the long chain of cigar stores with which these managers were connected—a two hundred dollar illustration of the importance one king of the retail world attaches to courtesy in business.

Business men who have the right to speak with authority estimate that rare element—courtesy—at a very high value. It is a main spring in business life; of business building value because it is so rarely found, perhaps. Courtesy does not mean the ingratiating bow and scrape of untutored origin, but the little every-day attentions that cost only thoughtfulness, yet go far in securing good will.

His supply of collars having run low, a New York broker stepped into a haberdasher's shop on the

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A cheerful smile and a hearty "thank you" from a clerk enthusiastic for the store are worth many mahogany fixtures. Enthusiasm usually has to begin with the proprietor.

Broadway corner nearest his residence. This haberdasher had paid a big premium for his location. Here was his best chance to get some of his money back by converting this broker into a regular customer.

An over-dressed clerk, jerking a box of collars of the desired size and brand from a shelf, slapped the box down on the counter under the customer's nose. "Half dozen, did you say?" he asked the already irritated purchaser.

The broker nodded.

"We've only got five left," said the salesman. He grinned. To be caught out of stock was evidently a joke on the customer.

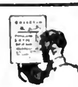
The broker, eager to escape a clerk with such misguided instincts, took the lot. But he was not to escape so easily. He had yet to deal with the man who hired that clerk. Half way to the cashier, he noticed that the sales slip given him called for the payment of sixty-five cents. "See here," he protested, "you have made a mistake, haven't you? You are charging me fifteen cents for that fifth collar."

"Single collars sell for fifteen cents," said the clerk. He said it as one conscious of having every one behind him from boy to boss.

"So you're going to make me pay two cents extra just because you are out of stock," expostulated the broker. "I'll speak to the manager—"

"My time's worth more than two cents," retorted the customer. He paid the charge and left the store in a huff. This store made an enemy instead of a regular

A bundle re-wrapped; a bit of information cheerfully given; a rip sewn up. Interested salespeople win customers by such courtesies and attention.



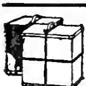
customer because it was run on a system of blind clerks and raised letter rules.

"Dont't ever allow a customer to leave the store carrying a lot of small bundles," said a wise merchant to his clerks. "Even if she made most of her purchases elsewhere, offer to wrap them in one bundle, or to deliver them along with the rest of her order. And don't let any customer enter the store, no matter how busy you are, without in some way—by a pleasant 'good morning,' or a smile, or at least some little word or action—letting him realize you know he is there and that you will wait on him just as soon as possible. All these little attentions make friends and the more friends we have, the more sales we are going to make."

How a Grocer Secured That Valuable "At Home" Feeling among His Customers

A metropolitan grocery proprietor awoke to the fact that his business lacked the personal element. His clerks were courteous and efficient but somehow he knew that customers failed to "feel at home" and all because a necessarily large sales force made it quite impossible for customers to know the different clerks personally.

To overcome this, he devised a means of acquainting his patrons with the name of the salesman who had taken their order, or who had waited upon them. He provided each of his clerks with neat business cards bearing the individual salesman's name in the lower left-hand corner. One of the clerks hit upon a plan of presenting these cards that was adopted by the entire sales force.



Success isn't made up of orders. It is made of re-orders. And a good customer, wrongly treated, is soon off your books. Explain this to every salesman.

After selling his customer a bill of goods, the clerk presented his card and told her that if she desired personal attention given any orders she might care to telephone in, and would mention his name to the telephone clerk, he himself would be glad to see that her orders were promptly and carefully filled. Thus, this proprietor's personal attention problem was solved—and his telephone orders were increased.

A telephone customer dropped into a store in the rice belt. She had read of the extra food value and better flavor of the unpolished grain and decided to try it. The man at the counter failed to recognize her and smiled at her request.

"You can't buy it, and if you could, you wouldn't put it on your table," he told her. "It's too dark." He failed to understand that she rated utility above mere appearance. Another dealer, at her request, made it a point to secure a sack of the unpolished grain direct from a rice grower. On an investment of only five dollars, plus the trouble of writing, he was able to satisfy her curiosity, make her a steady patron and incidentally stimulate a regular demand for the unpolished grain.

Training in Personal Service Helps Both Your Salespeople and Your Profits

Every store needs its formal training school—and every first-rank store maintains one — where the salespeople are impressed with the fact that patience, tact and a common-sense view of the customers' wants distinguish a big and growing business man just as surely

Show your employes that you are always ready to help out and work with them. Make them feel you are shoulder to shoulder with them.

as does his pay envelope. Personal adaptability must, therefore, be considered an essential of store efficiency.

The final word in retailing, however, is real customer service—putting all of your storekeeping ability at the call of the people in your trade territory. A customer had asked at a market for a certain brand of chipped beef and found that it came in larger quantities than he wished to buy. He inquired for a smaller package.

"Yes, we have the other brand at thirty-seven cents," was the reply, "but we don't urge it on our customers. Deducting the weight of the package, you get only about ten ounces, and that, as you can see for yourself, is hardly value. In place of it, I would suggest one of the bargains we are featuring today," and the market man went on to display what he conceived to be best fitted to his customer's wishes.

One strong reason for the high value of courtesy may be its scarcity. But whatever the reason, it does pay.

If You Were

An Employee—

What could the firm do for you that would make you do more for them?

A Customer—

Which of your methods would you first criticise?

The mental habit of occasionally looking at yourself from the viewpoint of other people is extremely profitable.